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MARCH 1983/VOL. 14, NO. 11

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Free Minds and Free Markets

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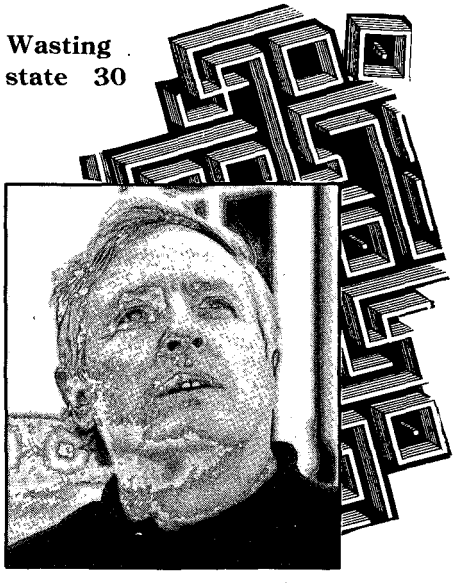

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Cover photograph by Bret Lundberg

REASON (ISSN 0048-6906) is published monthly by the Reason Foundation, 1018 Garden St., Santa Barbara, CA 93101. Second class postage paid at Santa Barbara and additional mailing offices. **Postmaster:** send address changes to REASON, Box 28897, San Diego, CA 92128.

CORRESPONDENCE: Send *new subscriptions* and *address changes* (include address label and new address) to REASON, Box 28897, San Diego, CA 92128. (714) 485-6535. Allow six weeks. Send *manuscripts* (for return, include SASE), *letters*, and *classified ad orders* (with payment) to REASON, Box 40105, Santa Barbara, CA 93103. (805) 963-5993.

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ADVERTISING: For display advertising contact Robert Flickinger, 1018 Garden St., Santa Barbara, CA 93101. (805) 963-5993. Spectrum Network Advertising (212) 838-4120. For classified ads, see Classified page, this issue.

SUBSCRIPTIONS: Subscribers are members of the Reason Foundation. Membership is $19.50 per year. Outside North America add $8/year for surface; $36/year airmail. Payment from Canada: US dollar postal money orders only. Send orders to REASON, Box 28897, San Diego, CA 92128.

BACK ISSUES: Obtain list from REASON Back Issues, Box 40105, Santa Barbara, CA 93103. Vols. 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Vols. 5 and up are available from Xerox University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106. Indexed in *America: History and Life; Historical Abstracts; Public Affairs Information Services Bulletin;* and *Public Issues Index.*

NOTEs

The Reason Foundation's expertise on free-enterprise urban transportation is increasingly in demand. In recent weeks we've been contacted by a foundation in Wichita, citizens groups in Houston and Fort Worth, the Denver Regional Conference of Governments, and a taxi association in Seattle. Generally, they wanted additional information—studies, articles, etc. For Denver, we recommended a list of qualified speakers for an upcoming conference and for Wichita a consultant (subsequently hired by the foundation to explore private-sector options for local transit).

We also recently assisted the Oklahoma State Auditor's Office with information on privatization of various state and local public services. And an official of the Florida Public Service Commission has requested further information from our files on the subject of telephone competition.

There have also been more articles in other media on Reason Foundation work. Our Local Government Center's privatization efforts were the subject of Owen Moritz's October 31 column in the *New York Daily News* titled, "Sell the Brooklyn Bridge: Has It Come to That?" (Moritz answered in the affirmative.) My article "Why Not Depoliticize Water?" appeared in the October issue of *Water/Engineering & Management*, provoking a number of interesting letters. And there have been three more articles on our proposal to privatize the air traffic control system. The first appeared November 9 in the Chamber of Commerce's *Washington Report*, another a day later in *Aviation Daily*, and the third article appeared in January in the *Kansas City Times.*

Two more REASON people have achieved new recognition. Frequent contributor Tom Hazlett is the author of a report from the Media Institute, "TV Coverage of the Oil Crisis: How Well Was the Public Served?" Given the general economic illiteracy of most reporters, it's no surprise that the answer is, "not very well." Contributor P. T. Bauer, expert on Third World development at the London School of Economics, has been named to the House of Lords. Our congratulations.

—R. P.

Our staff grows! Joining us this month as an assistant editor is Eric Martí, under an editorial internship program funded by the Institute for Educational Affairs. In addition to editing and research for the magazine, Eric will be contributing to the Trends column and assisting with the production of REASON and the editing of the Foundation's academic journal, *Reason Papers*, and other publications. A magna cum laude graduate of Middlebury College, he studied for a year in the philosophy Ph.D. program at Yale University. He has worked for several publications and, on a free-lance assignment, researched and wrote our December cover 1982 story, "Self-Help Housing." Our overworked editorial staff are pleased as punch!

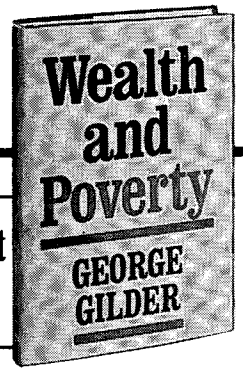
Also added to the masthead this month is Timothy Condon. Over the last few years Tim has contributed several articles to our pages and appears bimonthly with his Taxes column, while working as a tax advisor and earning a law degree (he did it!). So we are pleased to make him a contributing editor and look forward to more of him in the magazine.

Jeff Riggenbach's retrospective on Ayn Rand's *Atlas Shrugged* has proved to be provocative, just as we thought when we decided to publish it as the concluding piece in our special annual book section in December. We've received what must be a record number of letters to the editor, a sampling of which you'll find in this issue beginning on page 8.

We are happy to report that Eduard Lozansky, introduced to our readers by Patrick Cox in the December 1981 Spotlight, has finally been reunited with his wife, Tatyana. The daughter of a high-level Soviet general, she had for six years been denied permission to emigrate. Eduard, now a professor of mathematics and physics at American University, left the Soviet Union in 1976 after being fired from his prestigious teaching jobs for defending the dissident Andrei Sakharov and distributing underground copies of Solzhenitsyn's works. While he kept the eye of the Western media focused on his wife's plight, it was apparently Tatyana's 33-day hunger strike that finally secured her a visa from the Soviet state.

—M. Z.

Did you miss "the most important book of the 80s"?*



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* "The most important book of the '80's may well be George Gilder's *Wealth and Poverty*. To read it is to study economics by flashes of lightning. . . . the most eloquent and imaginative essay on economics in memory. Even at its most abstract, it manages to avoid being narrowly technical." — **Joseph Sobran, syndicated column**

"Rich and useful at every level. . . As important as John Kenneth Galbraith's *The Affluent Society*, the significant difference being that Mr. Gilder's book points us in the right direction." — **William F. Buckley, syndicated column**

"At last a book has been written which interprets for everyone why American capitalism creates the wealth which alone can produce more jobs and a higher standard of living for all. That's because it was written by a man who understands not only economics but also the social, psychological and political dynamics. . . at last such a wonderful book has been written. It has been sorely needed for decades. If you don't read another book this year, you should read *Wealth and Poverty* by George Gilder. You will never again feel defensive or apologetic about the American capitalist system." — **Phyllis Schlafly, syndicated column**

"A creed for capitalism worthy of intelligent people. . . . at the core he provides, at least for this not totally disinterested reader, a sense that on crucial matters of human value, capitalism offers a system of economic arrangements more congenial than the alternatives, not simply because the alternatives are less pleasant, but because they are based on a mistaking of the conditions of human life. . . . an eloquent defense of the capitalist high ground and the human values that capitalists, despite their bad manners and admitted defects, managed to embody to the benefit of their fellows." — ***New York Times Book Review* (page one review)**

"Exhilarating. . . Gilder notes that New York, Illinois and Massachusetts are the outstanding failures of postwar America. These same states contain by far the biggest concentrations of academic and media power, which effectively tell America what it ought to think about itself. This disjunction between performance and presentation constitutes a major structural weakness in American society. . . . The truth is, capitalism has nothing to fear but its own timidity." — ***Wall Street Journal***

"Gilder's impassioned and controversial book may well become the economic Bible of the New Right. It is a sophisticated, brilliantly readable attack on the welfare state, devastating in many of its perceptions." — ***Publishers Weekly***

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Robert Poole, Jr.

Let's "Protect" Freedom

In the name of "fair" trade, America's three-decade commitment to *free* trade is about to be dumped. The most recent sign was the December 15 House vote for a "local content" bill to "protect" the jobs of auto workers from foreign competition. That same lame-duck session enacted a gasoline tax bill that included a provision requiring 80 percent local content on all federally funded mass transit systems. And the watered-down Caribbean Basin Initiative—which was supposed to provide duty-free access to US markets for products of our impoverished island neighbors—ended up exempting apparel, handbags, footwear, luggage, mushrooms, canned tuna, and petroleum products and limiting imports of duty-free sugar.

Support for protectionism is popping up all over. *Business Week* last fall featured guest columns headlined "The U.S. Can No Longer Afford Free Trade" and "A Plea to Prop Up Basic Industries." Richard Viguerie and four other New Right leaders issued a statement in December calling for protection against foreign imports and terming free trade "economic unilateral disarmament."

Nor are the liberals any better. The traditional liberal Democratic support for free trade seems to have evaporated. Sens. Ted Kennedy and John Glenn both support the local content bill, and presidential hopeful Walter Mondale keeps attacking the Japanese.

In response to this nonsense, economically literate people can only shake their heads. Ever since Adam Smith, economists have understood the principle of comparative advantage. If each country concentrates on the goods and services it can produce most efficiently and obtains the others by trade, everyone will be better off. Since 1947 when the General Agreement on Tariffs and Trade (GATT) began slashing tariffs by 75 percent, world trade has expanded by 7 percent a year. In the previous 35 years, the annual growth rate had been a mere half of one percent.

With protectionism, governments shield—by definition—their most inefficient industries by restricting imports. But the net effect, worldwide, is to reduce everyone's ability to export (since somebody must be able to buy the exports). Thus, at least as many jobs are lost in efficient, export-oriented industries as are saved in the inefficient, protected industries.

Comparative advantage is so powerful that it works *even if allowed to function unilaterally.* Hong Kong and Singapore are two of the most prosperous places in Asia; both practice unilateral free trade. Chile's amazing economic recovery (see "Chile's Economic Revolution," REASON, Apr. 1982) was fueled by massive, *unilateral* cuts in tariffs. Old, inefficient industries went belly up, to be replaced by dynamic new ones.

Underlying the practical arguments for free trade are profound moral arguments. Those who advocate limiting or prohibiting certain imports are seeking to use force to prevent you from exercising your free choice to purchase Brazilian shoes, a Korean shirt, a French food processor, a Dansk place setting, or a Japanese car. If UAW president Douglas Fraser walked into a Datsun dealership with a gun and threatened to keep you from buying a 200SX, you'd be outraged. You should be equally outraged when he does the moral equivalent but seeks to gloss it over with a lot of fancy words and paperwork.

Moreover, it is morally nauseating to see the same liberals who shed crocodile tears over the poverty of the Third World's people imposing "countervailing duties" on Peruvian textiles or advocating duties on Mexican beer (which makes up a whopping 6.2 percent of all beer imports) or keeping out peanuts from the Sudan or sugar from the Dominican Republic so that gentlemen farmers like Jimmy Carter and Bunker Hunt can continue to prosper. What Third World peoples need is not foreign-aid handouts. They need the freedom to produce their way out of poverty. And for that they need open access to markets in countries like ours.

A return to protectionism risks worldwide catastrophe like that of the 1930s. The infamous Smoot-Hawley Tariff "protected" the US economy by so sharply restricting imports that it set off a worldwide trade war. Economist Jude Wanniski has pointed out that the 1929 stock market crash occurred just after it had become obvious that Smoot-Hawley would pass. Sophisticated investors realized how disastrous such protectionism would be for American industry—and they were right, as the next 10 years amply demonstrated.

The signs of such a new debacle are all around. In France, the Mitterrand government is turning sharply protectionist. The entire Common Market "protects" member countries' high-cost farming, and recently US officials threatened to launch an export subsidy war in retaliation. Particularly ominous, at a time when many developing countries are in danger of defaulting on massive loans, is the threat to their exports. Hudson Institute economist Jimmy W. Wheeler warns of a "disaster scenario" in which protectionism chokes off the Third World's ability to earn hard currency, leading to a collapse of the international financial system.

But protectionism would also hurt us more directly. By seeking to protect aging and inefficient auto, steel, and textile industries against efficient foreign producers, the government would impoverish us all. As John Naisbitt points out in *Megatrends*, the United States is fast shifting from being an industrial society to an information society, operating in a *world* economy. Seeking to reverse these historic and economically sensible shifts is like holding back the tide. Ultimately, it can't be done—but the attempt could be very costly. The *Economist* points out that the countries hurt worst in the current recession have been those, like Britain, that devoted the most effort to protecting outmoded industries.

Protectionism is wrong—morally and practically. Free trade, even if unilateral, is the moral and practical policy. But if the protectionists want to channel their frustrations into a more constructive vein, we have a suggestion. Go after Japan and Europe not by restricting their autos or steel but by ending our subsidy of their defense. That would help put all our economies on a comparable footing. And it would help prevent *real* wars as well as trade wars.

Robert Poole, Jr.

Keep *Reason* In Your Life

This spring we are celebrating an important milestone at *Reason:* Our 15th anniversary. Most new magazine start-ups fail. Against all the odds, *Reason* has survived and grown. (Circulation this month is up to 34,000.) And our May issue will mark 15 years of "free minds and free markets."

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ELECTRONIC RE

Letters

Brilliant and Sad

The brilliant article by McMenamin and Gorenc, "Subverting the First Amendment," contrasts ironically with the sad interview that Irving Kristol gave Tibor Machan in your January issue. While McMenamin and Gorenc bravely expose and attack the SEC's censorship of financial newsletters, Kristol casually tells REASON: "I have no problem with censorship at all. I'm for it. . . . I think that in a civilized society you have censorship." The SEC's thought and free-speech police would feel right at home in Kristol's "civilized society."

D. T. Armentano
University of Hartford
West Hartford, CT

Roark Robot?

Regarding Jeff Riggenbach's article, "The Disowned Children of Ayn Rand," (Dec.): I believe Riggenbach to be guilty of the same type of irrationalism that he decries in Ayn Rand's diatribes against "hippies." Both employ hostile, sweeping generalizations. It was absurd of Rand to classify thousands of young individuals (whose only common characteristic was that they all happened to attend the same social event) as "scummy young savages." It is equally absurd for Riggenbach to classify students of objectivism as Moonie-types who regard every utterance of their "mentor" as unquestionable fact. Rand was human; she had her hang-ups. And so, apparently, does Riggenbach.

Mr. Riggenbach's points are well taken. But I suspect that were he to meet Howard Roark (or Galt or Rearden or Danneskjold) in person, he might classify Roark as "grim, humorless, regimented, [and] robotlike."

Robert G. Stone
Farmington Hills, MI

Far Out!

That was a brilliant retrospective on Ayn Rand. Let's see if I've got it right. In the '60s, young readers who took *Atlas Shrugged* literally turned on and dropped out. While smoking joints, they (some of them, one of them?) designed (daydreamed?) solar energy converters. So when these "true children of *Atlas Shrugged*" got together for a drug bash, I gather, they were really brainstorming new technologies, a bit like a technical staff meeting at IBM but less "grim, humorless, regimented, [or] robotlike." Like wow.

John C. Boland
Barron's
New York, NY

Dubious Data

Riggenbach's piece is entirely a continuation of his attempt to rewrite '60s history with the New Left portrayed as the champions of freedom and individualism. This has always been bosh. And the foolishness is only compounded by the thesis that the true spirit of Rand animated these folks.

The unfoundedness of Riggenbach's thesis is revealed by his continual reliance on the claim, *as a means of arguing for Rand's influence*, that no explicit disavowal of this or that hippie practice occurs in *Atlas Shrugged*! As his really hard-nosed evidence, Riggenbach cites a study in which 62 percent of those queried had considered themselves hippies and one-sixth *of those queried* cited Rand as someone they admired or had been influenced by. The care with which Riggenbach draws conclusions from these data seem to me to be symptomatic of the integrity of his little essay. I am sorry REASON chose to publish it.

Eric Mack
Contributing Editor

Atlas Bombed

Jeff Riggenbach, in his article on Ayn Rand as an avatar of the of the '60s, refers to the results of the *Woodstock Census* in support of his hypothesis. One respondent in six mentioned Rand as an individual he or she had "admired or been influenced by."

Possibly representative of this group is Jane Alpert, former radical fugitive, who "became devoted to Ayn Rand" while a student at Forest Hills High School in Queens, New York (1961). Alpert states in her autobiography, *Growing Up Underground:*

Ayn Rand's heroes and heroines moved me more than her ideas. . . . Although I rejected Rand's right-wing economics and political philosophy by the time I was fifteen, certain elements of the novels, which had more to do with psychology than with social ideology stayed with me for many years. The Fountainhead *had planted in me the idea that bombing a building could be a morally legitimate form of protest.* Atlas Shrugged *portrayed the social revolutionary as hero. And Dominique and Dagny, brilliant, powerful, yet sexually passive heroines who submit to men they love, remained my role models long after I had forgotten where I first*

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heard their names.
Alpert was arrested in late 1969 and charged with bombing the Whitehall Induction Center, the Marine Midland Bank, Chase Manhattan, and five other government and corporate buildings in New York City said to be associated with the Vietnam war.

John Elmer
San Antonio, TX

Pseudo-Individualists

As an objectivist individualist, though not a "Randian," I take the strongest exception to Jeff Riggenbach's assertion in "The Disowned Children of Ayn Rand" that " '60s people," the self-realizers of the Me Decade, militant feminists, gay activists, and assorted "untraditional businessmen" are "true Randians." Rand's vicious denouncements of the " '60s people" and their successors of the Me Decade are not condemnations of "*her* children." Rather, they are denunciations of the children of philosopher and social psychologist George Herbert Mead and sociologist Charles Horton Cooley....

The self that Rand portrays and defends in her works is characterized by the statement, "I am myself," or "I am I." Derived from objectivism's rational egoism and refined in Nathaniel Branden's biocentric psychology, it asserts, "I am the self that I created." It is quite the opposite of the socialized self of pragmatic social psychology and sociology that declares, "I am the self produced by forces in my social environment." Committed as they are to the idea that self-identity is socially determined, the self-realizers of the Me Decade seek liberation, not from this particular view of the relationship of self to society, but from one set of social forces over against another.

Riggenbach seems to think that their nonconformity is evidence that the " '60s people" were children of Rand. But if their nonconformity was inspired by Rand's novels, then they misread those works. It is not nonconformity but *psycho-intellectual independence* that is the distinguishing characteristic of Rand's heroes and of those who take her ideas seriously. This quality precludes irrational, indiscriminate altruistic conformity as well as pseudo-individualistic nonconformity, but not rational, selective, self-interested conformity and nonconformity. Rational egoists are not abject nonconformists who value nonconformity for its own sake but are rational and self-interested people who conform to social norms and conventions that make sense. Their nonconformity is not nihilistic but selective and rationally motivated. The other-oriented nonconformity of the " '60s people" was not individualism and the alleged narcissism of the Me Generation is not rational egoism.

Anne Wortham
Brookline, MA

Insights and Irony

My compliments to Jeff Riggenbach for his fascinating article. While I cannot agree that the young people of the '60s and '70s are really Ayn Rand's offspring, to the extent the article suggests, I certainly agree that Rand had a powerful influence on them and that that influence has never been so well described as by Jeff Riggenbach. I found his article fascinating, informative, original.

I imagine it may make some members of the orthodox a little hysterical, which is a shame. The article may overstate its case a bit, but that strikes me as much less important than the illuminating insights it provides.

Besides, I am not at all certain that at some points he was not speaking in irony.

Nathaniel Branden
Beverly Hills, CA

Lions and Tigers And Bears, Oh My!

Back in August your Trends column "noted the growing success of commercial farming and ranching of wildlife, in several cases saving animals from extinction." And now in December you are able to note: "What do we find as the lead story in the September 12 *New York Times* magazine but (we blush) 'Preservation for Profit,' a sympathetic account of game ranching in Kenya."

But as early as 1978 John Burton was arguing in *The Myth of Social Cost*, published by our Institute of Economic Affairs: "The serious problems of the environment and conservation exist where there is *common* and not *private* ownership. In Africa, for example, lions have been treated in the past as common property—fair game for anyone—with the result that their numbers have fallen drastically during the twentieth century. But in the UK lions are reared and held under private ownership (in game parks and zoos), and the British lion population has boomed. Indeed, British game parks are now exporting their surplus lions to Africa!"

The most delightful twist in this British story is that our enterprising new exporters are in the main members of the House of Lords, who have added lions and other magnificent creatures to the attractions of their inherited estates—attractions needed to bring in the tourists whose admission fees help to pay the ever rising costs of maintaining those estates!

Antony Flew
University of Reading
Berkshire, England

Geller v. the FCC

I read with pleasure your comments (Nov.) on Simon Geller, the one-man FM broadcaster in Gloucester, Mass. As you know, we are proud to represent Mr. Geller, whose problems with the Federal Communications Commission typify what happens when government's rules and regulations become ends in themselves rather than a means to an end.

The paradox of Mr. Geller's case is that the FCC wants to take his license because he allegedly has not served the public interest, yet the only one to make this charge is Geller's competitor. The people of Gloucester who listen to Mr. Geller's station wholeheartedly support him. Thus, according to the FCC the public interest is what it, not the public, wants.

On October 22, 1982, the FCC refused to reconsider its decision to deny Geller's renewal application. Interestingly enough, four days later FCC Chairman Mark Fowler argued, in a speech to a group of broadcasters, that the government's handling of radio and television should be "indistinguishable from newspapers."

We intend to carry Mr. Geller's case to the U.S. Court of Appeals, and to the Supreme Court if necessary, in order to

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prevent misguided regulators from depriving Mr. Geller of his license. The issues at stake demand no less.

Dan M. Burt
Capital Legal Foundation
Washington, D.C.

Homey Praise

I was pleased to receive the December issue and read the cover story ("Self-Help Housing") by Eric Martí. I don't really know what I expected, but I was pleasantly surprised with the readability, clarity, and factualness of Eric's reporting. The concept at work in this unique housing program has never been easy to capture. REASON has done so in a very timely article.

I have shared my copy with Edward Ryan. We are agreed that the story was well done.

A number of us in the Pittsburgh area are indebted to Lynn Scarlett, who first sensed a potential story; to Eric Martí for his reportorial skills; and to you for putting it up front in your December issue.

E. Vaughn Gordy, Jr.
The Wesley Institute
Bethel Park, PA

E. Vaughn Gordy, Jr., was the director in the early 1970s of home builder Edward Ryan's philanthropic activities and was instrumental in the initiation of the Earned Home Ownership Program reported on in our December issue.—Eds.

Aging Debate

As president of a foundation devoted to research on the human aging process, I am compelled to offer some comments on the review by Lowell Ponte of Durk Pearson and Sandy Shaw's book *Life Extension: A Practical Scientific Approach* (Dec.).

I am sympathetic to Mr. Ponte's problem: the book does not lend itself to a brief lay review and requires extensive biochemical knowledge which many science writers do not possess. But Mr. Ponte's analogy between chemical intervention in the aging process and leftist social planners is most inappropriate. Such intervention in aging, with some trial-and-error risks inherent in any long-range therapy, falls within any definition of scientific progress and carries with it none of the moral or practical pitfalls of collectivist social planning.

As to the question which Mr. Ponte raises of whether Shaw and Pearson are scientists or science writers, we have worked with Durk and Sandy for several years, and we can assure REASON readers that their knowledge of the biochemistry of aging exceeds not only that of most "employees of universities or laboratories," to use Mr. Ponte's definition of a scientist, but also of many investigators in the field of aging research itself. We would remind Mr. Ponte that Albert Einstein was a clerk in a Swiss patent office when he published his first paper on relativity, and he spent his last years at the Institute for Advanced Study in Princeton, still trying to perfect his unified field theory, not as a laboratory or a university employee....

Finally, concerning Mr. Ponte's complaint that Durk and Sandy's theories about aging are not supported by the standard double-blind trials involving large numbers of human subjects: there is a Catch-22 involved here. If those of us who are now adults have to await FDA approval of long-range trials to determine whether a specific aging therapy is effective, we shall long be in our graves before the results are in. We need Durk and Sandy's ideas to help us, as Mr. Ponte suggests, decide for ourselves which ones to pursue.

Paul F. Glenn
Glenn Foundation for Medical Research
Manhasset, NY

Bold Guess

The quotation at the head of the afterword in *Life Extension* by Durk Pearson and Sandy Shaw is attributed to Isaac Newton and reads, "No great discovery is ever made without a bold guess." If one statement can epitomize an entire book, this is it. It conveys the notion that even with a voluminous amount of scientific evidence, in order to synthesize a coherent concept, one must leap the synapse from the known to the probable. Lowell Ponte, in his review of this excellent book, misses this point. I doubt if he would ever have gone out into the rain if umbrellas hadn't been invented, for fear of what water might do to his head.

Durk Pearson and Sandy Shaw *are* pio-

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neers; they have gathered a massive amount of sound scientific data on aging and have presented it in an exciting, fresh, and sometimes even amusing manner. Perhaps Mr. Ponte confuses their use of humor and manner of dress for lack of scientific ability. Even though the authors devote an entire chapter to criticizing the antiscientific bias and cultism that pervades the "health movement," Ponte still attempts to group them with astrologers and witch doctors....

For the intelligent reader, both lay and scientific, this book represents a monumental breakthrough. The heart of the matter is that there exists abundant evidence that aging and its manifestations can be prevented or retarded. This is the future of preventive medicine. If Mr. Ponte chooses to sit and wait until this knowledge has been extrapolated to humans, let him. Those of us who are making a bold guess will tell his grandchildren the results.

Jeffrey A. Fisher, M.D.
Center for Preventive Medicine
Great Neck, NY

Keynesian Cover-up

In his review (Jan.) of T. W. Hutchison's new book, *The Politics and Philosophy of Economics*, David Henderson adds one more layer to what should properly be called the "Keynesian cover-up." Henderson writes uncritically about the essay "Keynes and the Keynesians," in which Hutchison makes Keynes out to be a misinterpreted friend of economic freedom: it was the Keynesians, not Keynes, who were prosocialist and pro-planning. This may be a popular tune to play these days, but it is not at all in harmony with the original score.

If Henderson wants to reconcile "Keynes the Hayekian" with "Keynes the Keynesian," let him go back and reread (or read) the *General Theory*. In the last chapter on the book, in which Keynes is writing specifically about long-run programs and not about stop-gap anti-depression measures, Keynes pays lip service to some unspecified degree of economic freedom while actually advocating socialist schemes.

Two excerpts from this important final chapter will serve to illustrate. "Now, though this state of affairs [an economy in which the monetary authority pegs the riskless rate of interest at zero(!)] would be quite compatible with some degree of individualism, yet it would mean the euthanasia of the rentier, and consequently, the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity-value of capital" (*General Theory*, pp. 376-77). This aspect of the Keynesian vision, of course, is pure Marxist claptrap. In the following passage, Keynes sounds more like a so-called market socialist. "I conceive, therefore, that a somewhat comprehensive socialization of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and of devices by which public authority will cooperate with private initiative" (p. 378). It should be noted that Keynes's sops to the individualist does not set him apart from other socialists but makes him all the more like them....

Roger W. Garrison
Auburn University
Auburn, AL

Mr. Henderson replies: In the same chapter that Professor Garrison quotes, Keynes goes on to say: "If we suppose the volume of output to be given,... there is no objection to be raised against the classical analysis of the manner in which private self-interest will determine what in particular is produced, in what

(Continued on p. 56)

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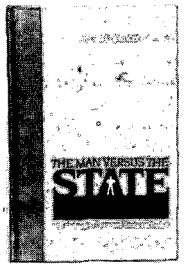

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brickbats

"Oh, they're gonna thaw out Uncle Ray and Aunt Kathy if I don't get some dough." Sounds like the title of a bad country and western song, doesn't it? But it's the truth. Two California (where else?) firms threatened to defrost the bodies of a Maryland couple that were chemically preserved and frozen after death unless the companies receive $169,000 in storage fees. The two cryonic preservation companies say the bodies of Katherine and Ray Mills—who've been frozen since their respective deaths in the early 1970s—will be ever so gently deiced unless they get their money from relatives of the frigid couple. So far, a judge has been cold to the idea and ordered the companies to keep Ray and Kathy on ice until he can figure out the law on the question.

Great news for drunks in Abu Dhabi, United Arab Emirates. The federal court ruled that non-Islamic foreigners convicted of drunkenness don't have to be flogged. They'll just go to jail.

But is flogging all that inhumane? Not according to President Zia ul-Haq of Pakistan, who explained to reporters in Washington recently the subtle distinction between just plain sadistic flogging and flogging with style—as it is done in Pakistan, naturally. Flogging with style means that the practice is strictly regulated to avoid permanent physical harm. "How long the whip should be, where the person should be struck and where the body should be placed are all carefully determined," he said. "A little lower and to the left, *please*!!" cried the floggee.

Justice is supposed to be blind, but should it also be mute? Yes, according to New York Civil Court Judge William Friedmann. He ordered court files sealed in two cases involving...lawyers. One had stiffed a client for $1,200, and the other had punched another lawyer in open court. The judge says the erring counsel have been punished enough without the shame of having their names dragged through the newspapers—like common criminals who bilk people or punch them. Judge Friedmann's reasoning sounds a lot like the Sicilian version, which is called "omerta," the code of silence. Judge Friedmann is Don Corleone's kind of guy.

Mexico is fuming because a Texas rancher has started minting coins and stamps for his new island nation for Indians, on a site in the Rio Grande River. Herbert M. Williams, who is part Cherokee, owns the 154-acre island, which was formed in 1967 by Hurricane Beulah. "He's talking about secession from Mexico," fumed Enrique Hubbard, Mexican consul in Brownsville, Texas. "And he can't do that. He wants to start a new nation, and neither Mexico nor any other country will legally stand for that." Williams is a fighter, though, and says he'll go ahead with plans to have migrant Indians colonize his taxless utopia, which he asserts will be a sanctuary from red tape. "Governments are always taking away a little more of our freedom. In my country, called Cherokee Nation, people can do what they want as long as they're honest." Mexico shouldn't gripe. In a few years, they can probably get foreign aid from Williams's little country, which intends to base its currency on gold. Hmm...can we apply for citizenship?

Censorship by any other name stinks the same...but not if you're among the ultra-liberals who run New York. A judge ruled that a city official was justified in urging (strong-arming?) department stores not to sell a game that pokes fun at folks on welfare. The game in question, "Public Assistance: Why Work for a Living?" was described by the judge as a "scurrilous and scathing attack on the welfare system." The game's manufacturers charged censorship and tried to collect damages from the city, but the judge held that the First Amendment doesn't apply. If the game was called "Trash the Rich," is there any doubt about which way the ruling would have gone?

Newark is practically bankrupt, but lawyers who defended Mayor Kenneth Gibson on charges he created a "no-show" job for a former city councilman are raking it in. Gibson was acquitted, although he did tell reporters that the job of director of security at the city's reservoirs was a "perk" for Michael Bontempo. The security director's absence was noted when vandals cut off the city's water supply for two weeks. Bontempo was found to be living in Florida—a mere 1,500 miles away from New Jersey. Mayor Gibson was found innocent, however, and now the city is paying more than $477,000 in legal fees for his defense. That comes to about $225 an hour for attorney Albert G. Besser, who says his fees are "reasonable." "I'm a very good lawyer," he adds.

—MARK EDWARD CRANE

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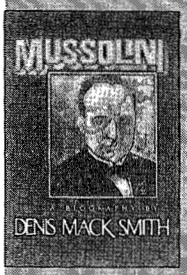

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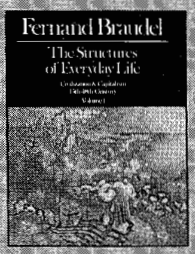

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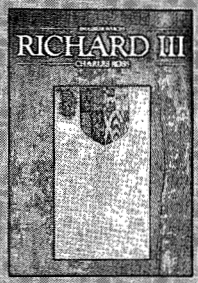

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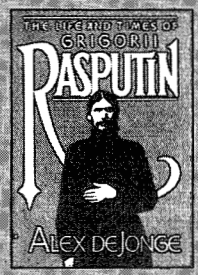

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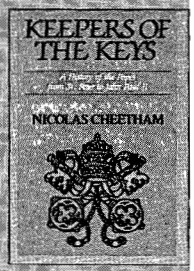

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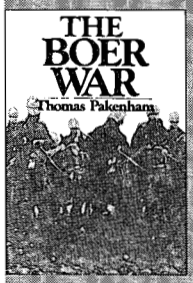

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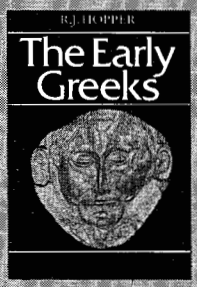

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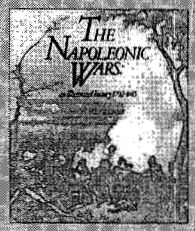

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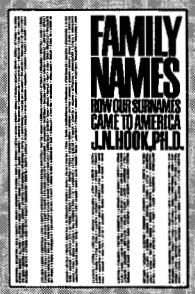

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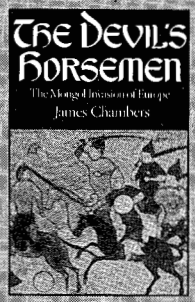

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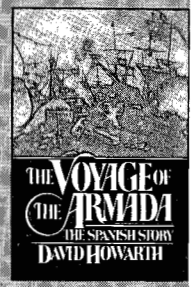

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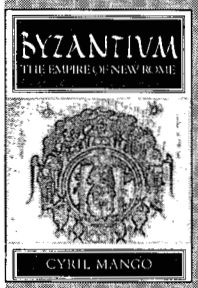

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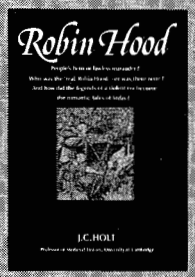

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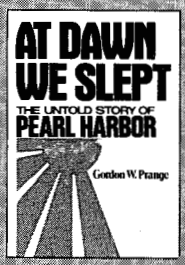

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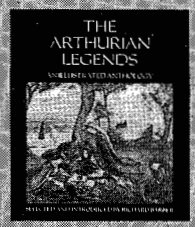

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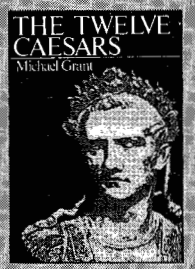

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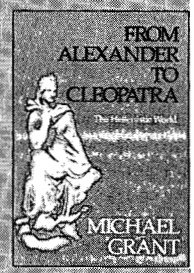

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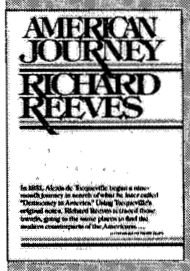

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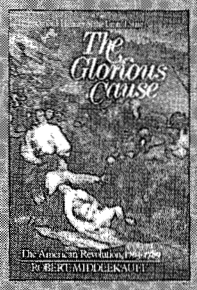

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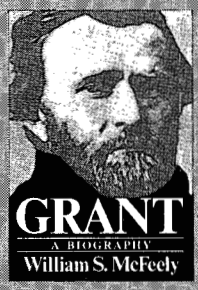

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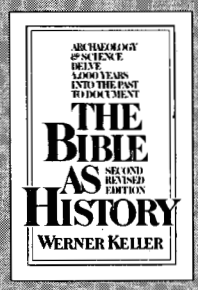

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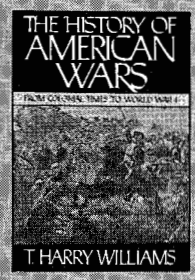

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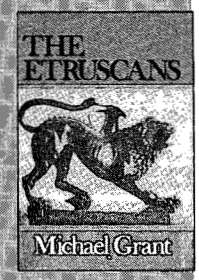

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TRENDS

BUS COMPETITION IS JUST THE TICKET FOR CONSUMERS

Riders on the nation's bus lines are reaping the harvest of deregulation. Since last November, interstate bus companies have been allowed to enter what used to be the exclusive territories of other companies. That new freedom has sharpened a price war that began more than a year ago.

The opening shot was the challenge by Trailways, number two in the industry, that it would meet or beat *any* intercity fare—bus, plane, or train. Moreover, the maximum on any route would be $99. In May of last year, industry leader Greyhound began meeting the new Trailways fares on selected routes. Since many routes were protected from competition, the overall effect on prices was not very large. But since November, all restraints on competition have been off. Trailways is extending its meet-or-beat fares into Greyhound territory. Already, by year-end, most rates were 30 to 40 percent below what they had been a year earlier.

Even more competitive gambits are now being introduced. Trailways has joined forces with Delta Air Lines to offer a trip-extender fare. By purchasing a package deal, you can fly Delta between major cities, then connect to Trailways to your small-city destination (many of which have bus service but no regular airline service) for just $15 more. Over the Christmas holidays, competition spurred Greyhound to offer guaranteed seating, even if it meant adding an extra bus for just one passenger.

As consumer columnist Peter Weaver summed it up, if you're "cautious about spending money on travel, this surge of competition should come as good news."

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To discuss possible topics contact Robert Poole, President, The Reason Foundation, 1018 Garden Street, Santa Barbara, CA 93101, (805) 963-5993.

NUCLEAR INSURANCE GOES PRIVATE

One of the ways in which the federal government has long subsidized nuclear power plants is by providing liability insurance. Under the 1957 Price-Anderson Act, the utilities' insurance policies covered only the first $160 million of possible claims. Anything above that—up to a government-imposed ceiling of $560 million per accident—would have been paid by the taxpayers.

In 1977, however, efforts to repeal Price-Anderson led, instead, to its modification, to provide for a gradual phase-out of the federal subsidy. To supplement the initial $160 million insurance coverage of each reactor, the utilities agreed to contribute $5 million for each reactor they operate into a common fund to meet larger liability claims. Once 80 reactors were in operation, there would thus be $400 million of additional coverage, entirely displacing the federal coverage. That point was reached last November 15, when San Onofre Unit 3, operated by Southern California Edison, went on line as the 80th US commercial reactor.

From now on, as each additional reactor comes into service, adding another $5 million to the pool, the total liability limit will increase above the old $560 million ceiling. Which is not to say that *any* limit on liability should be established by law. Still, in 25 years of reactor operation, there has yet to be a single claim that exceeded even the old $160 million limit, let alone the $560 million ceiling.

TRICKLE-DOWN TAXING AND SPENDING?

What effect does federal aid have on state and local government spending? Two recent studies reached opposite conclusions.

The first, by the Office of Management and Budget, looked at spending on state and local government facilities—roads, sewers, buildings, etc.—during the 1970s. Precisely as federal aid increased—by an average of 2.2 percent per year in real terms over that period—state and local spending on these facilities decreased by an average of 4.2 percent a year. What happened was that federal aid made it easier for local governments to divert resources to social programs. At the same time, voters rejected many bond increases and enacted tax-limitation measures. Concludes OMB: more federal aid for public works would probably lead to continued decreases in local taxing and spending.

The second study looked at one state, New Hampshire, and covered all federal grant programs, not just those for public facilities. Carried out by Dartmouth economists James R. Fries and Colin and Rosemary Campbell, it found that, overall, the state and local tax burden increased or decreased in direct proportion to the level of federal aid. In other words, as federal aid went up, New Hampshire taxing and spending went up, often to provide matching funds. They predict that as federal aid declines in the 1980s, therefore, New Hampshire taxing and spending will decrease proportionately.

The two studies' findings may not be as contradictory as they sound. New Hampshire is a low-tax, low-spending state. Its voters probably view federal grants as "free money," permitting projects to be undertaken that might not otherwise occur. Thus, when federal aid is cut back, they'll probably be content to do without those projects. Big-spending state governments, by contrast, see federal aid as a basic element of their total resources, committed to a panoply

of spending programs. They would tend to behave more like the OMB study predicts. Large-scale federal aid cuts to those states would be more likely to lead to local tax increases.

DAY CARE CHAFES UNDER THE BURDEN OF BUREAUCRACY

Private households have been taking care of children for millenia, but when they do it for hire, government feels obliged to step in and tell them what to do. All too often, the effect has been to raise costs or reduce the number of providers.

Take the case of Susan Suddath, who'd been running a day-care center on her farm in Maryland for 17 years, according to the *Wall Street Journal.* When the bureaucrats discovered that she was caring for as many as 20 children, they invoked a state law forbidding a private home from taking in more than four children during the school day. Thus, Mrs. Suddath was forced to turn away most of the children. That painful experience led her to a successful effort to get the law amended to allow for "group care homes" that can take 7-12 children without having to meet stringent institutional requirements.

But the regulators' heavy hand is still being felt elsewhere. In California, where the addition of a seventh child makes a day care home subject to building codes designed for schools, the operator of one day care home found that she would have to have separate toilet facilities for boys and girls, and bathrooms accessible to wheelchairs, before she could increase her enrollment from six to seven. She withdrew her application.

But there's good news. A number of parents and professionals familiar with family day care service are beginning to question the worst excesses of government regulation. For example, Anne Bersinger, deputy director of California's Department of Social Services, has publicly expressed her preference for making state licensing of family day care providers (that is, day care facilities, usually in private homes, that care for six children or less) completely voluntary.

Bersinger reasons that since an estimated 90 percent of family day care services around the country don't currently have licenses, "there are obviously many parents for whom licensure is not very significant; one wonders if licensing is in sync with their wishes or needs." Moreover, California taxpayers currently pay $4.1 million annually for a licensing system that's something of a farce. The state has enough case workers to visit a day care site before its license is granted, and after that only once every few years on the average. "The level of oversight is minimal," Bersinger says. "It lulls parents into a false sense of security."

Her argument for making certification voluntary (a proposal made by then-Gov. Jerry Brown in 1981 but rejected by the state legislature) is that the state would no longer be trying to suppress unlicensed family day care; parents who feel that certification is important could choose a day care service that met that standard (and perhaps they would pay a slightly higher price), while other parents could freely use other criteria; and the program could be financially self-supporting, with certified providers paying a fee to keep the program alive.

Meanwhile, an important battle against home day care regulation is being

Gene Tupper The Peninsula Times-Tribune

NEW FORCE ON THE LEFT

Tom Hayden and the Campaign Against Corporate America

by John H. Bunzel

For years former street activist Tom Hayden, a founder of the Students for a Democratic Society, railed against the Democratic Party and the American political process. Now, as a newly elected California Democratic Assemblyman, he seems bent on turning the revolutionary slogans of the 1960s into the liberal left common sense of the 1980s. Organizationally, he hopes to transform the amorphous New Left into an active political faction operating openly within the California Democratic Party. Yet Tom Hayden also wants more than a successful political career. He wants and intends to make history. NEW FORCE ON THE LEFT traces Hayden's career as student, radical, revolutionary, and politician and examines the political machine he has built, the Campaign for Economic Democracy. Clearly there is a new Hayden. The question is whether the new Tom Hayden is the real Tom Hayden.

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waged in the courts. The California Health and Welfare Agency has had a policy of making unannounced visits to family day care providers—and if the inspector was refused entry, that would be sufficient cause for revoking the provider's state license. In *Rush* v. *Obledo*, however, a day care home operator and the San Mateo County Daycare Association claim that this policy mandates warrantless searches of homes and thus violates Fourth Amendment protection from unreasonable search and seizure. A team of lawyers with the San Francisco Lawyers Committee for Urban Affairs—which is providing legal representation for the plaintiffs—was victorious in the district court last year; but the state appealed, and at this writing, the final outcome of the case is still in doubt. REASON will keep you posted.

DAM PRIVATIZATION?

Will the world's largest hydroelectric plant be privatized? That's the question being asked in Pasco, Washington. The subject is the Grand Coulee dam, built by the Bureau of Reclamation in the 1930s. The dam is the centerpiece of the Columbia Basin Project, a New Deal irrigation and hydroelectric project.

Several months ago the bureau's regional office in Boise, Idaho, wrote to the three irrigation districts served by the project, asking if they'd be interested in taking title to any of the facilities. Russell Smith, director of the South Columbia Basin Irrigation District, responded that his district would like to take over the dam itself. Although the Bureau has been directed to divest itself of much of the irrigation network, Smith's offer took the regional office by surprise. L. W. Lloyd, regional director, told the *Seattle Times* that selling or giving the dam to the district would require congressional approval.

As a nonprofit entity, the district could issue tax-exempt bonds to cover the purchase price, Smith told REASON. Since the dam generates $700 million a year in power sales, there would be a steady stream of revenue to pay off the bondholders. The three irrigation districts are already involved in the electricity business, with six low-head hydro plants currently under construction. Thus, there's a precedent for a district to be the dam's operator.

If the Reagan administration gives a damn about the New Federalism, maybe it should "give" a dam to the South Columbia Irrigation District.

THE (PRIVATE) ROAD TO CHINA

The United States may not be ready for private-enterprise highways. But it now looks as if China—of all places—may be.

Business Week (Dec. 20, 1982) reports that Hong Kong property developer Gordon Wu has proposed building and operating a 145-mile, $500-million superhighway running from Hong Kong through Canton (Guangzhou) to Macao. Wu proposes raising the money by issuing bonds, to be paid off out of toll revenues. The average toll from Hong Kong to Macao would be $20, and Wu figures he could turn a reasonable profit with 20,000-25,000 cars per day. After 30 years, ownership of the road would revert to the Chinese government.

Wu says he got the idea for the project from the New Jersey Turnpike. Actually, the model for this quasi-private tollway is the superhighways of Italy and France, mostly built and operated by private firms but with ownership eventually reverting to the state. Well-funded by toll revenues, those roads are superbly maintained, in sharp contrast with America's often-decaying (but mostly toll-free) interstate highways.

Who knows—maybe once China authorizes private superhighways, the idea will no longer seem too radical in the land of free enterprise.

VOTERS DON'T AXE LIMITS ON TAX

Despite cries of alarm from politicians, voters continued to approve tax-cutting and tax-limitation measures last November. Alaska became the ninth state to amend its constitution to limit taxing and spending, enacting by a 61 percent margin a measure largely drafted by the National Tax Limitation Committee. Maine's voters approved, by 57 percent, a measure to prevent bracket creep by indexing the state's income-tax brackets to compensate for inflation. Tennessee voters approved a measure

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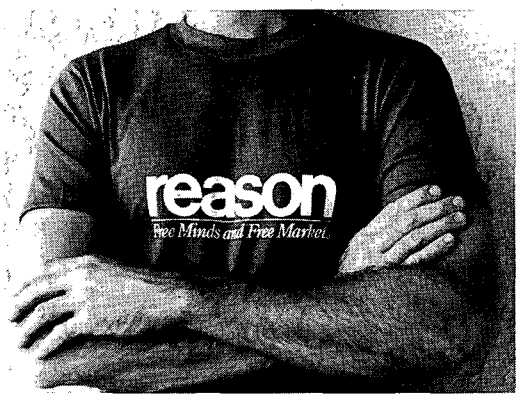

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reducing property taxes for the elderly. And, as previously reported, Texas voters abolished the state property tax, by a 70 percent margin.

Even the bureaucratic heartland resists tax increases. Voters in affluent Prince George's County, Maryland—adjacent to the District of Columbia—rejected a measure that would have abolished a four-year-old freeze on property taxes.

BANKING ACROSS BORDERS

The 1927 McFadden Act still bans interstate banking—officially, that is. Still, interstate banking is rapidly becoming a reality in this country, thanks to creative exploitation of loopholes.

One such loophole is franchising, pioneered by Los Angeles-based First Interstate Bankcorp. Rather than acquiring banks in other states, the company simply makes a franchising arrangement, whereby the participating bank uses First Interstate's name and gains access to shared systems such as the automated-teller-machine network. First Interstate is already operating in 11 western states and is reportedly about to expand into Alaska.

As reported here last September, the 49th state last year became the first to allow out-of-state bank holding companies to acquire local banks—a McFadden Act loophole never before exercised. Critics feared the worst: voracious lower-48 banking giants would roar into Alaska and gobble up the local banks. Surprise, surprise! As the *Wall Street Journal* reported last November, it simply didn't happen. In the first five months, only two Seattle banks purchased Alaska banks. "The lesson of Alaska," noted First Interstate chairman Joseph Pinola, "is that banks are going to be very selective when choosing new areas in which to compete."

New England may become the next big opening for interstate banking. The Massachusetts and Maine legislatures enacted new laws permitting interstate bank mergers and acquisitions on a reciprocal basis with other states that enact similar laws. Similar legislation is expected this year in Connecticut, New Hampshire, Rhode Island, and Vermont. Legal experts are uncertain whether Congress would have to give its blessing to the idea, by exempting New England from the McFadden Act and the 1956 amendments to the Bank Holding Act.

Once before, Congress allowed New England banks to pioneer. In 1973 it permitted federally insured banks in Massachusetts and New Hampshire to offer what amounted to interest-bearing checking accounts—the so-called NOW accounts. Now New England could once again point the way to more commercial freedom.

SELF-DEFENSE GAINS DEFENDERS

The idea that this country's wealthy allies—NATO Europe and Japan—should start paying for their own defense is picking up support in those countries. Ironically, at the same time the Reagan administration is trying to *increase* the number of US troops in Europe by 18,900—and denouncing congressional opponents of the move by portraying them as advocates of a "cutback."

In December the Western European Union took up a French proposal to move toward European self-defense. French defense minister Charles Hernu called on European governments to develop more of their own weapons, rather than relying on US products. Hernu's position reflects the views of Jean-Paul Pigasse, director of the Paris-based Center for Defense and Strategy Studies, who has called for dissolving NATO in favor of an all-Europe defense alliance with its own nuclear deterrent.

The French defense budget, at 3.9 percent of gross national product, is among the highest in Western Europe. Although the French are holding down spending on conventional forces, spending on their nuclear forces increased 29 percent in 1982 and will go up another 22 percent this year. Moreover, the 1963 security treaty between France and Germany has finally been activated, and the two governments are discussing common defense problems.

Across the Pacific, meanwhile, the new government of Japanese prime minister Yasuhiro Nakasone has proposed only a modest 6.5 percent increase in defense spending for 1983. That increase would still keep Japanese defense outlays below 1 percent of GNP (actually 1.6

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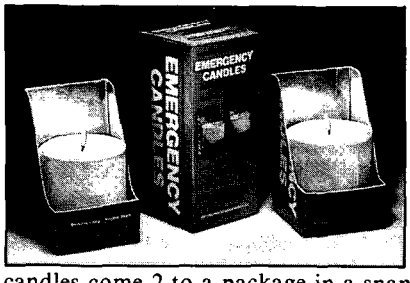
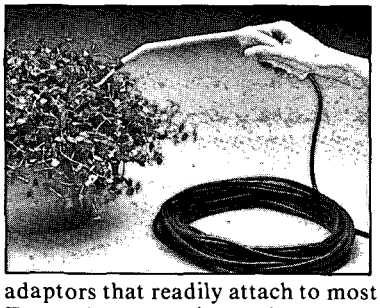


Most candles are poured hot wax. Our emergency candles are pressed into shape by a hydraulic process, making them notably denser than ordinary candles. As a result, they are very slow burning — a single 3″ x 3″ candle lasts 50 hours or more. These candles come 2 to a package in a snap-apart foil-lined box that makes its own flame protector windbreak candleholders. The candle wax has a high melt point (155°), so the candles store well even in unfavorable conditions such as a car trunk. We can supply 2 boxes of emergency candles (a total of 4 candles) — 8 days and nights of continuous light — for **$14.00** ($2.95) A672.



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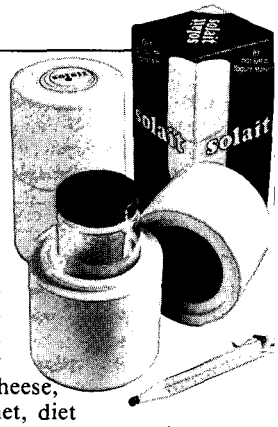
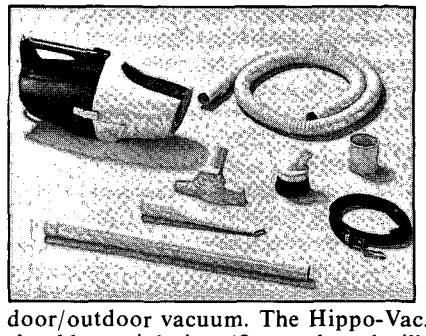
Cheese And Yogurt Making



If you like commercially made yogurt, you'll flip over homemade! When you make your own yogurt, you control whether it is rich or lean, light or thick, tangy or mellow. You can use whole-milk, low-fat, skim, dry, evaporated — even goat's milk — to get just the taste and texture you want. Best of all, it will cost about half what you pay in the store. And with a Solait yogurt-maker the advantages do not stop there — you can also make your own buttermilk, sour cream, cottage cheese, cream cheese, plus a variety of gourmet, diet and cooking cheeses. The Solait cooker works by insulation, no electricity, so there's no need to plug it in. Originally yogurt was food of nomads, and the Solait can travel with you camping or to the office. Yogurt is surprisingly easy to make. In your Solait, it will require a total of about 10 minutes attention. Just heat a quart of milk to 190° to kill stray bacteria, then set it aside until it cools to 120° (about half-an-hour). Stir in a tablespoon of plain yogurt or starter culture, pour the mixture in the jar, and place in the Solait cooker. Four hours later you have yogurt. Timing is flexible — you can even go away for the weekend and have yogurt on your return. The Solait unit is made of unbreakable plastic and uses interchangeable glass quart jars. The Solait yogurt and cheese-making kit — with thermometer, glass jar, freeze-dried starter cultures, and hefty recipe booklet — costs only **$25.00** ($2.95) #A335. Extra quart jars make it convenient to store your freshly made yogurt while you prepare *creme fraiche* or *boursin* in the Solait cooker. You can order your Solait kit with two additional quart jars for **$30.00** ($3.95) #A354.

Portable Hip-O-Vac



All vacuum cleaners are portable in the sense that they can be maneuvered quite easily from room to room. But when it comes to stairs, cars, garages and outdoor uses the conventional vacuum cleaner loses much of its portability. Here is a different breed of indoor/outdoor vacuum. The Hippo-Vac. It slips right over your shoulder, weighs just 12 pounds and will go practically anywhere. Attach the flexible hose to one end of the Hippo-Vac and you have a vacuum with suction stronger (1.1 peak horsepower motor) than some full size canister machines. Attach the hose to the other end and you have a convenient blower for cleaning walks and gutters and other outdoor jobs. It comes with a 6′ flexible hose, 19″ extension wand, crevice tool, round brush and an upholstery nozzle. It's constructed of lightweight, shatter-resistant plastic which is so strong that the manufacturer stands behind it with a lifetime guarantee. It has an 18′ cord, disposable collection bag and is fully UL listed. The Hippo-Vac costs **$110.00** ($9.95) #A687.

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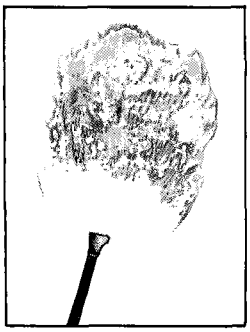
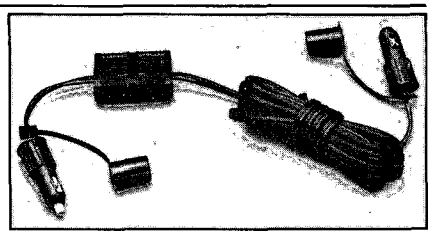


Dust Magnet

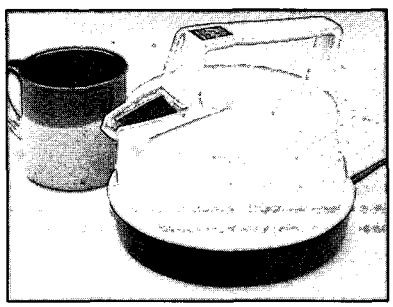
If we ever compile a book on *The Old Ways That Were Better Ways,* we will certainly include a chapter on the lambswool duster. This remarkable implement originated, the best we can tell, in 19th-century England where it quickly put the feather-duster to shame. On its own it actually attracts and holds dust like a magnet. The static charge in the lambswool causes dust literally to leap off surfaces where it has accumulated, making this just the thing for dusting bric-a-brac, china, crystal, pictures and other fragile items. When soiled, just wash it in warm soapy water. We are happy to offer a 20" long authentic lambswool duster for **$8.00** ($1.95) #A163.

Beyond Jumper Cables



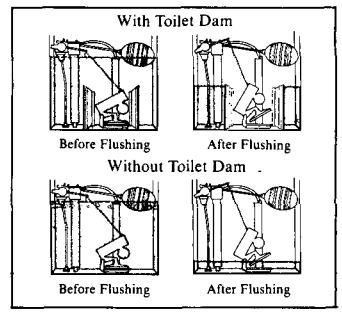
Your car battery is dead. How would you like to recharge the battery and start the car *without ever even opening the hood?* Sound impossible? It's not, thanks to the Easy Charge, which takes the old idea of jumper cables and refines it to a new level of ease, convenience and safety. With traditional jumper cables you have to maneuver a second car fender-to-fender with the disabled car, open both hoods, and attach leads from battery to battery. The Easy Charge simplifies this process brilliantly by substituting connection from cigarette lighter to cigarette lighter. You just plug one end of the Easy Charge into the lighter of a running car, pass the 16' cord through both car windows and insert the other end in the lighter of the disabled car. A trickle charge immediately starts flowing into the dead battery. After a few minutes' wait the battery is recharged sufficiently to restart the car. The Easy Charge comes in a handy plastic storage envelope, is small enough to fit in the glove compartment and costs just **$20.00** ($2.95) #A629.

Electric Mini-Kettle



How many times a day do you boil two or three (or more!) times as much water as you actually need? Because of the way our kitchen pots are designed, we usually indulge in overkill — wasting money (for the energy to heat all that unused water) and time (the more you heat, the longer it takes to boil). At last someone has had the good sense to design a kettle for boiling small amounts of water, from a tablespoon or so (in seconds) to a maximum 4 cups (in a little over 4 minutes). The UL listed mini-kettle is metal below, plastic above with a steam guard and a cord just under 3' long. The non-stick inner surfaces discourage mineral build-up. It's backed by a 2-year limited warranty. **$24.00** ($2.95) #A603.

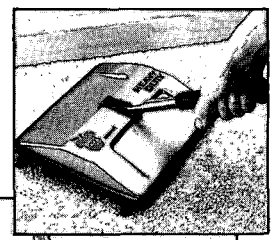
Toilet Sanity

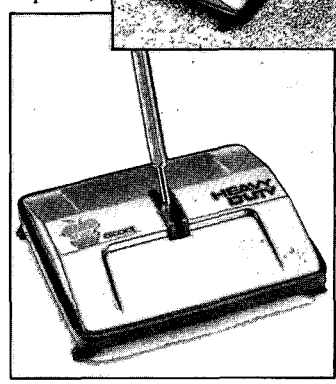


A government study shows that 45% of the water used by the average American family gets flushed down the toilet. That is 90 gal. per day for the family of four. The conventional flush toilet uses 5 to 8 gal. of clean water each flush, when 2.5 to 3 gal. is sufficient. What can we do about this insanity? Use toilet dams. Putting a dam in the tank saves 1/3 to 1/2 the flush without reducing the toilet's effectiveness. (It doesn't reduce the *pressure* of the flush, just the amount of water used.) Putting dams in all your toilets could cut your overall water use (and bill) up to 20%. For **$11.00** ($1.95) #A259, we can supply first-quality toilet dam units made of stainless steel and thermoplastic rubber. It comes with a 5-year limited warranty and requires no tools (or special effort) to install.

A Clean Sweep

Vacuums are great when you are cleaning the whole house, but for those quick little daily clean-ups almost everyone can benefit from the new compact carpet sweepers. The Appel sweeper is the first of an improved second-generation of these convenience cleaner-uppers: it has larger wheels for better traction on thick carpeting, and all-around rubber bumper strip, cushioned dust pan covers for rattle-free operation, horsehair corner brushes for cleaning tight up to things, and a replaceable boar-bristle rotor brush with its own cleaning comb. Most helpful of all, it comes with 2 handles, standard length for stand-up operation and a new 7" handle for cleaning in confined spaces, on the stairs or in the back of the station wagon. The Appel sweeper works on bare floors as well as carpets. Its heavy duty all-metal construction assures long life and good service. The sweeper unit measures 7½" x 9" and weighs under 2 lbs. The head folds flat against the handle for easy storage. The Appel sweeper is American-made (by the Bissell company), comes with a 5-year warranty and costs **$31.00** ($3.95) #631.





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percent, if pensions are included, as they are in NATO defense budget figures), as they've been since 1976. But for the longer term, many defense analysts are optimistic that Nakasone, a former defense minister (1970-71), will be the one prime minister who can overcome Japanese (and Southeast Asian) opposition to a serious military buildup by that country. After all, as the *Economist* noted recently, West Germany has been able to rearm without a return to militarism. There's no reason to think that Japan could not do otherwise.

SPACE VENTURES TAKE OFF

Several more private enterprises have announced plans for developing launch vehicles or for marketing existing launch vehicles—all without government money. The age of commercial space enterprise has definitely arrived.

The latest launch vehicle company to be announced is Orbital Systems Corp. Started up with $500,000 in seed money from Texas oil and real estate investors, the company plans to develop a new upper stage designed for use with NASA's space shuttle. With the new SRM-1X upper stage, the shuttle will be able to place a 6,900-pound payload into geosynchronous orbit—a 38 percent increase. That will give the shuttle a strong advantage over the European Ariane 3 and 4 rockets. Unlike the latter (and the shuttle), the SRM-1X will be developed entirely with private money. Orbital Systems's chief technical consultant is rocket pioneer Krafft Ehricke, a former colleague of the late Wernher von Braun.

A second major development is the growing interest of private firms in purchasing and marketing existing boosters as commercial satellite launchers. Space Transportation Co., the firm that has been trying to fund a fifth shuttle orbiter, has signed an exclusive agreement with Martin Marietta to market and launch that company's Titan 34D booster. SpaceTran will market the Titans as a backup to the space shuttle for large communications satellite customers. Meanwhile, both Space Services, Inc. (developer of the Conestoga-I booster) and General Dynamics have expressed interest in marketing the latter firm's Atlas Centaur rocket. (We reported here in December that recently formed TranSpace Carriers is seeking to market the McDonnell Douglas Delta booster.)

At press time, NASA was reportedly near a decision on the future of the shuttle. The main alternatives appear to be either to set up a government corporation (like Amtrak) to operate and market the shuttle or to begin turning over the entire operation to the private sector. The first step in the latter case would be to contract out shuttle marketing operations. Besides SpaceTran, major aerospace firms—including Rockwell International, McDonnell Douglas, Grumman, and Boeing—have told NASA they're interested.

Boeing and Lockheed were among the four bidders for a three-year contract to operate the entire Kennedy Space Center. The winning firm, selected in December for the $193-million contract, was EG&G, which already operates under contract the Nevada Test Site and seven other military bases and Energy Department facilities. NASA expects to save 25 percent of the cost of launch operations at Kennedy due to efficiencies introduced by contracting out its operation.

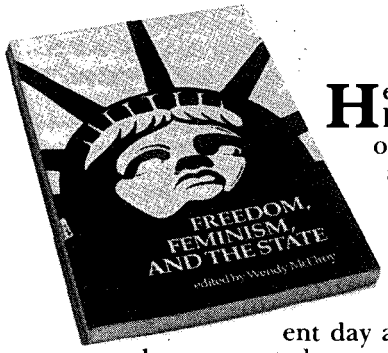
SEX EDUCATION AND CARNAL KNOWLEDGE

Many parents and some political groups have opposed sex education in the schools, out of concern that teaching teenagers *about* sex would encourage them to participate in sexual activities. Defenders of sex education maintained that since many teenagers were going to have sex in any case, it would be foolish to deny them information. Both sides acknowledged that more and more teenagers have been engaging in sexual activity, over the same time period that sex education has become more widespread. But the question remained: Does sex education itself make sexual activity more likely?

The answer seems to be that, in general, it does not. The way to find out is to compare two statistically similar groups of teenagers, one exposed to sex education and one not, and compare the extent of their sexual activity. Just such a comparison has been carried out by two Johns Hopkins University professors of population dynamics, Melvin Zelnik and Young J. Kim. Their data sources were a 1979 survey of male and female teenagers in metropolitan areas and a 1976 nationwide study of teenage girls. As reported in the May/June 1982 issue of *Family Planning Perspectives*, the data showed no significant association be-

"Must reading for anyone concerned with the freedom of women!"

—Jennifer Roback
Yale University



Here at last is a much-needed challenge to contemporary feminist orthodoxy. Wendy McElroy has assembled a powerful collection of individualist-feminist writings which chronicle the anti-statist heritage of the feminist movement. Feminist writers from abolitionism to the present day argue that it is government that has prevented women from achieving freedom and equal rights. This lively and fascinating anthology is certain to provoke controversy and debate with its call for a new direction for the modern feminist movement. **$7.95, 357 pages.**

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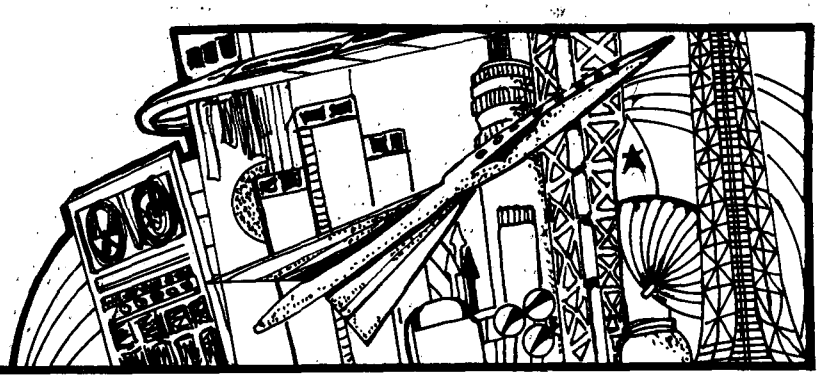

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tween taking a course in sex education and being sexually active. The one significant effect of sex education seemed to be that among those teenage girls who *are* sexually active, those who had sex education were less likely to get pregnant.

The Zelnik/Kim study will not end the controversy over sex education. But it ought to set the record straight on what it does and does not lead to.

CALLING COMPETITION

The once-monopolistic local telephone business is increasingly turning into a competitive marketplace. The two major competitive technologies—cable and radio—are attracting more and more firms, in more and more cities.

MCI Communications Corp., which pioneered competitive long-distance service, has begun competing at the local level as well. In January it began operating a local communications service in Omaha, Nebraska, in cooperation with the local Cox Cable company. The service will enable Omaha businesses to connect their telephones to MCI's long-distance lines without having to use the local telephone company's lines—thereby avoiding high phone company access charges.

Other major cable companies are more extensively involved as local telephone competitors. The pioneer, Manhattan Cable TV, took in about $1.5 million from its commercial telephone customers last year, including such firms as Chase Manhattan, Manufacturers Hanover, and the New York City government. For data transmission, Manhattan Cable offers about 40 percent cost savings compared with New York Telephone's lines. The company is doing so well that it added 20 miles of cable just for telephone service last year.

Other cable companies moving into local telecommunications include American Television & Communications (ATC), Cablevision, Warner Amex Cable, and Group W Cable. ATC's systems are being developed in Denver, Kansas City, Memphis, San Diego, and San Francisco. Cablevision has a 23-mile business system under development in Boston to carry voice, data, text, and video. Warner Amex is adding such features to its Pittsburgh system and plans similar services in Chicago, Cincinnati, Dallas, Houston, and St. Louis. And Group W is building such systems in Dallas, Detroit, and southern California.

On the radio front, mobile telephone service will soon be coming to rural areas, not just big cities. NASA has asked the Federal Communications Commission to set aside UHF frequencies to permit satellite-relayed mobile telephone service in the countryside. The proposed frequency bands are adjacent to those already allocated for the cellular radio systems now being developed for urban mobile telephone services.

In addition, the FCC has begun allowing FM radio stations to utilize their subcarrier systems to transmit not just muzak but information. Dataspeed, Inc., sees a major opportunity to utilize FM broadcasting as an alternative to telephone lines. It's introducing a nationwide electronic mail service using a $300 hand-held terminal that can pick up messages coded for specific individuals. Telemet America offers a $299 portable stock-market data terminal, programmable to select up to 20 (out of 1,600) stocks. And other companies, such as Amway Corporation, are using FM subcarrier frequencies to communicate with their distributors and retailers.

Both cellular radio and two-way cable are about to appear in England, as well. The British department of industry is planning to emulate the FCC by licensing two competing mobilephone networks—one to state-owned British Telecom (which may be privatized within several years) and the other to a fully private firm. Unfortunately, the government intends to protect British Telecom's local telephone monopoly by forbidding cable TV operators from offering voice service (even though such systems will be required to have two-way capability). As the *Economist* lamented, "Cable lines could . . . carry telephone services. Their potential should not be stunted for the sake of an existing monopoly. Telephone systems used to be regarded as 'natural' monopolies. New technology, cellular radio as well as cable, has changed all that. Or should be allowed to."

MILESTONES

• *Seabed rejection.* Governments from 46 nations declined to sign the Law of the Sea Treaty at the signing festivities in Jamaica in December. None of the industrial countries signed except France. Neither did the Vatican or Peru or Venezuela or South Korea or several Middle Eastern nations.

• *Controller recall.* Proceedings have begun to recall two county supervisors in Tehama County, California. The two opposed a ballot measure enacted last November abolishing all land-use controls in the county (see Trends, Feb.).

• *Bye-bye, blues.* The Massachusetts legislature in December repealed the state's "blue laws," which prohibited retail stores from operating on Sundays. Exempted from the measure, however, were liquor stores.

• *Freer skies.* As predicted here last month, the European Parliament in December loosened controls on regional airlines, permitting new service to begin. The first license granted under this partial deregulation authorizes service between Denmark and regional airports in Great Britain.

• *OSHA restrained.* The US Court of Appeals has ruled that a search warrant does not give OSHA inspectors a blank check to snoop through company files. The court held that the agency must obtain a subpoena if companies won't reveal records voluntarily.

• *Timber profits.* The British treasury has ordered the state-owned Forestry Commission (the equivalent of the National Forest Service in this country) to start turning a profit. For 60 years the agency has lost money and is currently costing the taxpayers about $140 million a year more than it brings in from timber revenues.

• *Tickets deregulated.* As of year-end, the selling of airline tickets was opened to competition. By a 4-to-1 vote, the CAB allowed anyone—not just travel agents—to contract with airlines to sell their tickets. Ticketron was among the first to announce it would enter the business.

• *Friedman versus Fed.* "I am in favor of abolishing the central bank," stated Nobel laureate Milton Friedman in a recent letter to Gold Standard Corporation, published in *Gold Standard News* (vol. 6, no. 11).

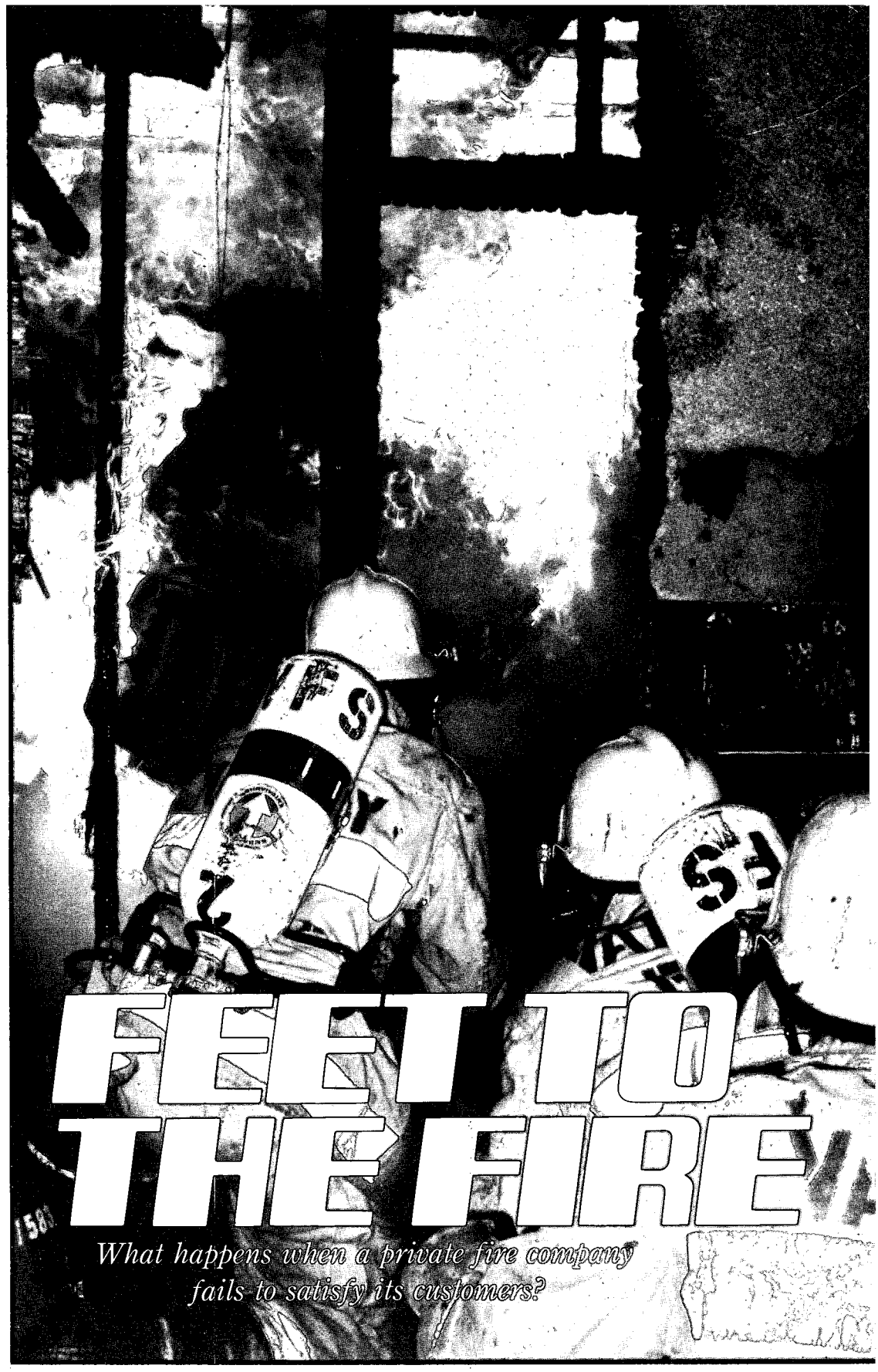
• *Gas okay.* Utilities and other users of natural gas will no longer be forced to stop using the fuel by 1990. The Energy Department has abolished that silly provision of the Powerplant and Industrial Fuel Use Act.

• *Deregulate electricity.* To save the electric utility industry from financial disaster, electricity generation should be removed from regulation. So says the Congressional Budget Office in a study released in December.

—ROBERT POOLE, JR., AND PAUL GORDON

FEET TO THE FIRE!

What happens when a private fire company fails to satisfy its customers?



By R. Gaines Smith

IN 1976, THE RURAL AREA surrounding the small town of Grants Pass, Oregon, had one of the few privately owned and operated fire departments in the nation. And Grants Pass Rural Fire Department had been serving the area for 19 years.

But this private fire department wasn't doing very well. Prompted by citizens' complaints about rural fire service, county officials had set up a Fire Protection Study Committee to evaluate the five fire services operating in Josephine County in southwestern Oregon. The committee's report, completed in September 1976, concluded that the county's recent track record in fire protection was "extremely poor." And it was clear that the culprit was Grants Pass Rural, the only private fire service among the five.

The committee reported that for the five preceding years, the county's ratio of fire loss to the value of property involved in fires was *30 percent*—compared to a statewide average of less than 4 percent. Other data pointed to the reason for the high loss ratio in the county: poor protection by Grants Pass Rural. In its service area, the property loss was averaging $13,596 per fire in insured structures. In the area served by the town fire department in Grants Pass, in contrast, the average loss was running only $2,052; and in another rural area in the county it was $3,986.

"We are in trouble!" concluded the study committee. "We need better fire protection!" It is not surprising that the options for improvement presented by the committee were all variants of establishing government-operated, tax-supported fire services throughout the area. Of course, 8 of the 14 committee members and all 5 advisors to the committee were government officials. But the fact is that government provision of fire protection is nearly universal in the United States and in this case had an excellent record compared to private Grants Pass Rural. Shutting down Grants Pass Rural seemed to be the only solution.

The 1976 study was presented to the county commissioners, where it lan-

Photograph by Dan Petersen

guished without action for two years. Complaining, Chief Gerry Ryan of the Grants Pass (city) Fire Department and a member of the study committee told me in 1982: "It was taken to the county commissioners and it died. It was never given to the public for a vote." But in October 1978 the county commissioners cranked up another effort and appointed another committee.

Neither the commissioners nor the new committee members nor local citizens were prepared for what was to come. As the committee gathered for its first meeting, in drove a brand-new, shiny yellow fire truck with "Valley Fire" emblazoned on its door. "The media were obviously very curious as to what was going on," recalled Phil Turnbull, whose idea it was to set up a second, competing private fire department instead of replacing Grants Pass Rural with a government service. Turnbull proceeded to announce that Valley Fire Service was going into business in the area regardless of what the committee did.

Valley Fire chief Phil Turnbull

The young entrepreneur's plans had been well laid. "I am a believer in free enterprise," Turnbull explained in an interview. "But it was no love of free enterprise that got me started. It was just disgust with the situation." Living in the Grants Pass area, and a fire fighter by profession, he was well aware of the woefully inadequate fire services in the rural area and wanted to do something about them.

Turnbull's first move was to join forces with a partner, with his father, and with his brother. Together, they commissioned a feasibility study by researchers from nearby Southern Oregon State College. The researchers were to explore the idea of bringing another private company into the area.

The feasibility study turned out to be so favorable to the idea that they were able to raise an initial investment of approximately $100,000 through the sale of stock. It took Turnbull about a year to raise the money, working on his days off from the Eugene department. "As the new trucks came up for delivery, we managed to get another $10,000 to make the down payment," said Turnbull. "It was a struggle."

When the county's new study committee was formed in October 1978, Turnbull said he was worried "because the one in '76 had come pretty close to abolishing free enterprise." So they decided to make their debut at the committee's first meeting. Valley Fire Service had been incorporated in the state of Oregon in August. "We were selling stock, and we were moving," said Turnbull. "But we had not gone public yet. Nobody knew we were coming at all."

Shortly after he showed up for the meeting in the first tanker the new firm had bought, the county's study committee disbanded. In June 1979, Valley Fire Service opened for business. Grants Pass Rural, which looked to be in eminent danger of being forced out of business in 1976, continues to operate. So now rural Grants Pass is the only place in the nation with competing, privately owned and operated fire departments.

But how are the residents faring with private firms providing an "essential service" that is traditionally run by the government? Private enterprise seemed to have failed them in 1976; is it now a good solution to their need for fire protection? That's what I wanted to investigate after learning how competition came to rural Grants Pass.

THERE ARE MANY SIMILARITIES between the two private fire departments in Josephine County—Valley Fire Service, with Phil Turnbull at the helm, and Grants Pass Rural, headed up by Bertha Miller.

Both, of course, are privately owned companies that charge a yearly fee to customers who subscribe to their respective services. Both offer protection against fires and emergency medical service. Grants Pass Rural also operates a conventional ambulance service, one of three in the area.

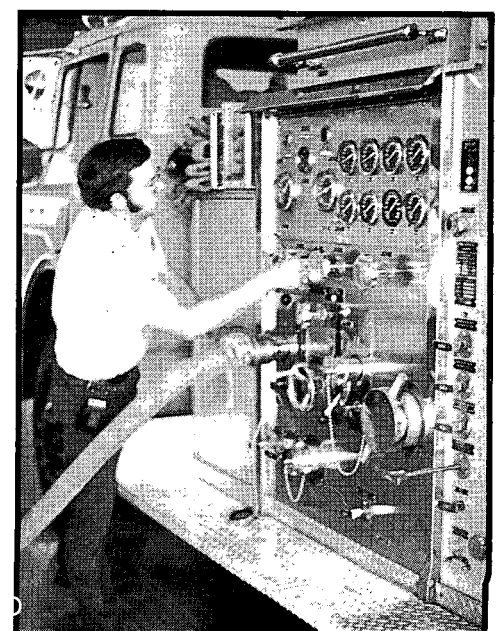
Although both firms seek paid subscribers for their services, both will put out nonsubscribers' fires and then try to collect an expensive fee later. The charge is $150 per fire engine per hour and $10 per fire fighter per hour. But these charges are not always easy to collect, according to Bertha Miller of Grants Pass Rural. She told me that the collection rate for nonsubscribers "has been very low over the years. We have had attorneys say to people, 'You don't have to pay them.' "

In addition to performing the traditional fire department services, both firms will even come and rescue your cat from a tree. They see that service as good public relations, and both have favorite cat stories, dog stories, and even skunk stories.

Both Miller and Turnbull intensely dislike the idea of government regulations, but amazingly, they don't encounter many. Turnbull said he didn't have to ask permission from any local government body to establish his business. This turns out to be a very important fact.

Both private fire services are almost in awe of the Insurance Services Office. The ISO is a nationwide nonprofit private insurance service that rates the quality of local fire protection for the benefit of companies that write fire insurance policies. Based on criteria such as the water supply in the area, distance from a fire station, and the number of available fire-fighting units, the rating system assigns numbers from class 1 through class 10, with the lower numbers reflecting the better fire services. Most rural fire districts, whether government or private, are rated between 8 and 10. A class 10 rating implies virtually no available fire protection; a 9, rudimentary service; and an 8, adequate rural protection. Ratings of 3 to 5 are more typical of

Valley Fire Service fire fighter inspects a pumper



suburbs and cities. The lower the ISO rating, the less money local residents have to pay for fire insurance.

Both Valley and Rural hate criticism, especially when they feel it is underhanded. I had to ask both Miller and Turnbull about an Associated Press news story that portrayed the two private fire services as Keystone Kops-style fire fighters who, according to the headline, "Battle Blazes—Sometimes Each Other!" The story went on to paint a picture of the two services racing around the county fighting each other over fires.

Have they done that? "*No!*" shouted Mrs. Miller. "We have never fought at a fire that I know of. That just makes me furious." Turnbull called the story "absolutely ridiculous!" He insists, as does Miller, that the two firms have a good working relationship.

In spite of all the similarities between the two fire services, though, they are much more different than alike.

PHIL TURNBULL, 26, is a sandy-haired man of medium height. He met me in a crisply starched uniform and offered immediately to show me Valley Fire's facilities. The station to which he took me was a brand-new building, clean and well cared for. Everywhere, the employees seemed to exude pride, efficiency, and enthusiasm.

But the example for all those virtues is Phil Turnbull himself. In business for a little short of four years, he has already established his fire service on a sound financial footing. In 1982 the company took in just under $400,000 in gross revenues, and it now has about 5,400 subscribers to its services. Valley Fire is owned by stockholders, 16 of whom are employees, and is run by a five-person board of directors where Turnbull serves as secretary in addition to working for the firm as fire chief.

Currently, Valley Fire operates three stations and plans to build a fourth soon. The company has six operating vehicles and is rebuilding four others. The number of employees fluctuates between 40 and 45. Nine of these are full-time employees. The rest are reservists who are paid only when they work, and then they are paid the minimum wage rate.

Even though Turnbull's people are employees of a private company, Valley Fire Service is organized in a paramilitary manner, just like other fire departments. There are ranks like captain and lieutenant, and everyone is expected to follow orders. Turnbull explained why: "You can't get away from the fact that you have an emergency service here. We put that above even the financial end—profits or any of that stuff. You can't mess around with quality of service. When you get to the scene, you have got to act in a professional manner."

Although Valley Fire's training program is not itself accredited or recognized by the state, many of its employees have achieved or are working toward state certification. In addition, recruits must complete a six-week training program at Valley Fire before joining the reserve ranks. And continuous training is required for full-time employees (two hours a day) and reservists (a weekly drill).

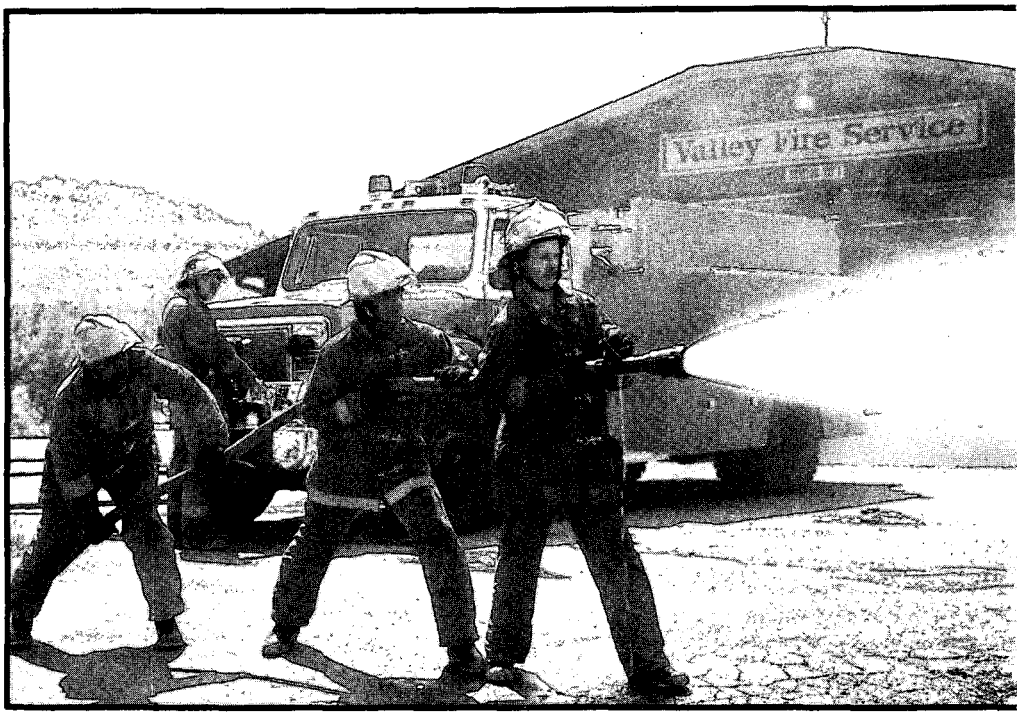
Compared with ordinary fire departments with a civil service structure, private fire services have the advantage of being able to dismiss employees easily. "I have had other fire chiefs tell me that they envy the fact that I can fire employees," said Turnbull. "I have and I will."

Valley Fire charges subscribers $2.15 per $1,000 of the market value of the structures on a subscriber's property if the subscriber lives within five road miles of one of its fire stations. (Those areas are rated class 8 by the Insurance Services Offices.) If a subscriber lives more than five miles from a station (rated class 9 by the ISO), the fee is lower, $1.15, in view of the longer response time involved and the lower probability of saving the structure.

Of course, nobody is forced to subscribe. But most people find it economically advantageous to do so. Valley Fire sales literature in 1981 gave the example of a house worth $70,000. If the homeowner did not subscribe to a fire service, the annual fire insurance premium would be $499. But in the Class 8 areas, having a Valley Fire subscription would slash the premium to $238. The cost of the subscription was $107, for a total outlay of $345—a net saving of $154 a year compared with not subscribing. Even in the Class 9 areas, where the insurance premium remains fairly high, there would still be a $31-a-year net saving.

Valley Fire offers some important customer services that are not usually provided by government-operated departments. When signing a contract that states what the company will do in return for its fee, subscribers are asked to specify structures to receive priority protection, any water sources on the property, the number of occupants in the houses, the number of invalids, and any obstacles to approaching the property, such as bridges or gates. This information becomes part of the contract with the company.

As with most other businesses, Valley Fire has to advertise to obtain customers. When the company first started, the main requirement was to let people know of its existence and to explain how its service differed from that of Grants Pass Rural. (The initial emphasis was on greater savngs through lower insurance rates, since Grants Pass Rural could not offer Class 8 service until 1982.)



Valley Fire Service fire fighters take part in a drill outside one of the company's three stations.

Photographs by Linda Erz

Business manager John Mustard, a former newspaperman, hit upon the idea of publishing a tabloid newspaper as a marketing tool. Thus, twice in 1981 residents of the Grants Pass area received a free "shopper"-style newspaper, with articles about Valley Fire and about fire protection and fire safety in general. The tabloid was actually self-supporting via advertising, just like conventional shoppers. After two issues, the company had achieved significant name recognition and market penetration, signing up about 50 percent of all households in the area. Mustard shifted the marketing effort to newspaper ads, a small amount of radio advertising, and direct mail. In 1982, door-to-door sales representatives were added.

I asked Turnbull what kind of vision he has of Valley Fire's future. "We have put every penny we have made back into service improvements," he said. "Our commitment to the community is not superficial. We have been making some very long-term, heavy-duty investments into equipment and into improving the quality of service. The board of directors is very adamant on keeping the quality of Valley Fire Service up. One of the reasons for that is a downright selfish reason—we think there is room for expansion out there into other areas." Turnbull predicted that the stockholders will probably be paid their first dividend this year.

People who view fire fighting traditionally, as a "public service," may be uneasy with the idea of fire fighting for profit. But the profit motive is a positive factor in Turnbull's opinion: "I do know way in the back of my mind that I am constantly wanting to work as well as possible, perform as good as possible, be as good as possible. And I think that incentive is definitely there because of the profit motivation. It inspires efficiency and productivity."

But over at Grants Pass Rural Fire Department, Bertha Miller has a different opinion. "I don't think you can talk in terms of profit in this fire department," she told me. "I think it has always more or less been based on service for humanitarian purposes. We haven't been too concerned with profit."

BERTHA MILLER is a middle-aged woman who met me in a food-stained t-shirt and ushered me into her office in her home, where a man lay sprawled on the floor fast-asleep, a baby was squalling, and a huge green parrot was jabbering in the background. She refused to show me any of Grants Pass Rural's stations or fire equipment.

Yet Mrs. Miller is undoubtedly one of the pioneers of private fire services, not just in Grants Pass but also in the nation. She has been associated with Grants Pass Rural for 25 years and has been running it for 12.

Mrs. Miller and her husband Walter took over in January 1958 after the original owner had run the department for less than a year. Ever since 1958 there have been problems, she said, and she talked about those problems a lot: "When we started out, there was an awful lot of politics involved, practically from day one. There have been a lot of hardships."

One of those problems was that in 1970 her husband left town. "He left five kids and myself and a business that was heavily in debt." I was surprised when she commented that she had no fire-fighting experience when she took over the direction of the fire department. The only experience she could point to was "a lot of reading, some research, and I saw some films."

At present, Bertha Miller isn't the official owner of Grants Pass Rural. Officially, it is owned by members of her family. The reason for that directs attention to one of her long-standing problems: she has had a lot of trouble with the Internal Revenue Service.

Ever since 1969, the IRS has placed numerous liens on the company's property and equipment because of unpaid personal income and employee payroll taxes reported to be as high as $150,000. In May 1981 the IRS confiscated 28.5 acres of the company's property and then sold it at an auction to pay back taxes. A few months later the IRS was back to confiscate the company's fire-fighting vehicles. Mrs. Miller made an emergency appeal for funds from her loyal customers and raised enough money to get the vehicles back. According to Mrs. Miller, an IRS agent told her, "You will give your business to your son or daughter or I will close it out right now."

After Mrs. Miller had her troubles with the IRS, some of the local media implied that her company was about to fold. "I think next July it will be four Julys that we were 'going out of business,' " she exclaimed. But she insisted, "We never were out of business."

And that business, she claimed, amounts to six stations and "about a dozen vehicles," although she would not give me a grand tour. The service is currently run, she said, by "nothing but volunteers." Customers pay $40 a year, which includes not only fire protection and emergency medical service, but ambulance service.

Tanker and pumper outside Valley Fire Station One

ASIDE FROM THE IRS, however, it is clear tht Mrs: Miller's biggest problem to date has been the evaluation her company received from the 1976 Josephine County Fire Protection Study Committee Report. This study did not present a flattering image of Grants Pass Rural. Specific items in that report included:

Criticism of the quality of Grants Pass Rural's equipment. At its Sunny Valley substation, the "station" was described as a tree located on a KOA campground under which the station's 1950-ish vehicle was parked. A local fireman told the committee investigators that the vehicle had a bad battery, and "sometimes the truck had to be pushed down the hill to start it."

At the Merlin substation, the study reported, "There was no vehicle in the building and no tire marks to indicate recent entry or exit." For this substation, the study concluded that "it is reason-

able to assume that the Grants Pass Rural Fire Department Substation at Merlin exists in name only."

At the company's main station, the investigators found 15 vehicles but reported: "It is obvious that all of this equipment is not operational." Overall, of six alleged substations, one did not exist at all and only three of the others had buildings (the other three, like Sunny Valley, consisting merely of a parked truck).

Grants Pass Rural's Bertha Miller

In addition, at most of the Rural stations they found no breathing equipment, no asbestos suits, few alarms and little communications equipment (most of the fire fighters were alerted by telephone, not radio!), and no heating to keep the vehicles' water from freezing in winter. And the majority of the vehicles, they noted, were built in the early 1950s.

The report was also critical of Rural's response time in arriving at the scene of fires. Some of the customers lived so far away from a station that any response "would require a minimum of 15 minutes to cross the bridge and proceed through Grants Pass and then into the county."

The study noted that Grants Pass Rural had a poor record for saving property. Figures from the Oregon State Fire Marshal showed that for the 7 years preceding 1976, the property loss per structure had averaged $13,596 for the 296 insured structural fires fought by Grants Pass Rural. By comparison, during the 10 years preceding the study, the average loss for the Grants Pass (city) Fire Department was only $2,062 per structure. Compact urban areas can be expected to have better-quality fire protection than spread-out rural areas. So a better comparison is with a rural fire district: Over the same 10 years, the average loss for the rural, government-run Illinois Valley Fire Department in the county was $3,986 per structure. So Rural's average fire loss was nearly three and a half times higher than that of a comparable rural fire department.

One might expect the 1976 study to have been somewhat biased, since it was prepared and backed by people who seemed obviously to be leaning toward the abolition of private fire service in rural Grants Pass and the establishment of a tax-supported, government-operated fire district. But there is other evidence to corroborate the study's findings.

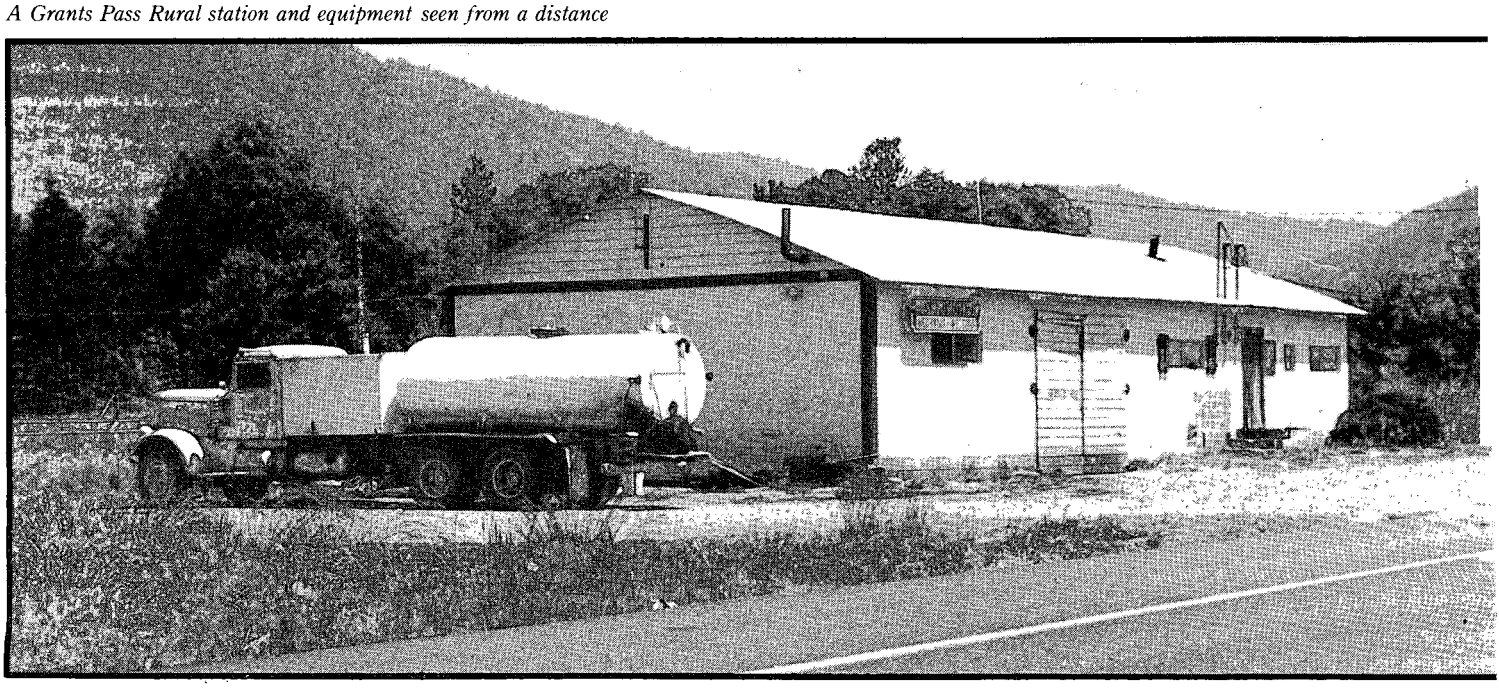
Part of the 1978 feasibility study commissioned by Phil Turnbull and his associates contained a questionnaire to be completed by residents in the Grants Pass Rural service area. It turned out that 88 percent of the residents in the area said they would be willing to consider contracting with a new company. Nearly 45 percent of the respondents rated fire department service in the area as "below average" or "poor."

I talked to some customers in the area in 1982 and found both defenders and critics of Bertha Miller's Grants Pass Rural. But one of the detractors made a telling remark: "A lot of people call them the foundation savers. Their equipment was a little older, and they always had problems with it." This customer had had his contract with Grants Pass Rural, but he switched to Valley Fire and was grateful to have the opportunity to do so.

In all my interviews with Bertha Miller, she never mentioned better service as a solution to her problems. Nor did she talk about any efforts toward improvement following the 1976 study. Instead, she seemed primarily concerned with absolving herself and her company from responsibility for Rural's problems. These she blamed variously on the IRS, on bad press reports, on the "politics" of the 1976 study, and on competition from Valley Fire Service.

Referring to her competitors, Mrs. Miller has already told the local media: "They're out to get me, and there's no two ways about that." She confided to me her belief that Valley Fire is foolish to have entered the market with the idea of making money: "I can't understand why people come into this town and think they can get rich."

A Grants Pass Rural station and equipment seen from a distance



COMPARING THE TWO private fire services is not easy. But even harder is comparing them with government fire services in the area. All such comparisons are inherently difficult: no two service areas are exactly alike, and fires are relatively infrequent, randomly occurring events. One large fire in a particular year, which could happen anywhere, can significantly alter that year's fire-loss statistics. Nevertheless, it is possible to make some general comparisons.

One useful measure is the "loss ratio"—the ratio of the amount of value lost to the total insured value of the properties involved in fires. The lower the loss ratio, the more effective the fire department in saving structures. In Oregon these figures are compiled each year by the state fire marshal from data furnished by insurance adjusters. For 1980, the latest year available, the statewide average loss ratio was 8.5 percent. By contrast, Valley Fire's loss ratio was only 3.3 percent. Grants Pass Rural, on the other hand, had a 1980 loss ratio of 40.2 percent (and an average of 21.5 percent over the five years 1976-80).

How does Valley Fire compare with nearby government fire services? It would be invalid to compare a basically rural service with the more urban service provided in towns like Grants Pass itself. A more reasonable comparison is with a (tax-supported) rural fire district, such as Jackson County District 5 in the nearby town of Phoenix, Oregon. As the table on this page shows, although Valley Fire's service area is much larger, it protects an equivalent amount of property value. As can also be seen, the government fire district has more fire fighters and a somewhat better ISO rating. Officials of both Valley Fire and District 5 agreed that in terms of land use, population density, and structural characteristics, the two areas are roughly comparable.

So how does fire service in these two areas compare? District 5's 1980 loss ratio was 41.7 percent—compared to Valley Fire's 3.3 percent. District 5's average over the five years 1976-80 was 25.5 percent. Clearly, the quality of the fire protection provided by tax-funded District 5 is much lower than what Valley Fire has been accomplishing in its first several years of existence.

What about the cost of service? Valley Fire charges $2.15 per $1,000 of the market value of structures on a property. District 5's tax rate is $5.92 per $1,000 of *assessed* value of the *total* property (land and structures). To provide a basis for comparison, I asked John Mustard, Valley Fire's business manager, to select three typical residential properties in the area, ranging from low to high in value. I then calculated the annual cost of fire service if the property were to be served by Valley Fire or by District 5. As the table below makes clear, the government fire service costs between 3.25 and 7.4 times as much as the private fire service! And this is for service whose quality is decidedly worse.

SO WHAT DO THE CHIEFS of the local fire departments think of the two private fire departments in Josephine County? The two chiefs I interviewed do not approve. But, ironically, they seemed to disapprove of Valley Fire more than they disapproved of Grants Pass Rural, despite the former's clearly superior performance.

"I have a much better working relationship with Rural than I do with Valley," said Gerry Ryan, chief of the Grants Pass (city) Fire Department. "Valley has come in and they have nice new equipment," he continued. "I don't know personally if they are any better than Rural." Yet Gerry Ryan was one of the members of the county's study committee that produced the 1976 study condemning Rural.

Chief Ryan had many criticisms of the very idea of private fire departments, but he said a big concern with the local private services is their lack of manpower: "You have got to have more than one man or two men on duty. It takes equipment to put out a fire. They rely on volunteers." Valley Fire keeps an average of two people on duty at its stations in late-night hours, but Ryan objected: "The most important thing in fighting a fire is the response you have on arrival at the scene. A two-man fire department just will not do it."

What Chief Ryan disparages as "volunteers," however, are actually paid reservists—fire fighters with some training who normally work at other jobs but are on call to respond to fires. All fire departments in the area—Ryan's included—use a mix of full-time and on-call personnel. In some of the smaller districts these people are, in fact, volunteers. But most are paid at least token amounts. And Valley Fire, because it's a private enterprise, must pay its reservists at least the minimum wage. Unfortunately, the Oregon State Fire Marshal's report perpetuates the confusion by lumping all on-call fire fighters into the single category of "volunteers."

Because Chief Ryan

Comparison of Fire Services

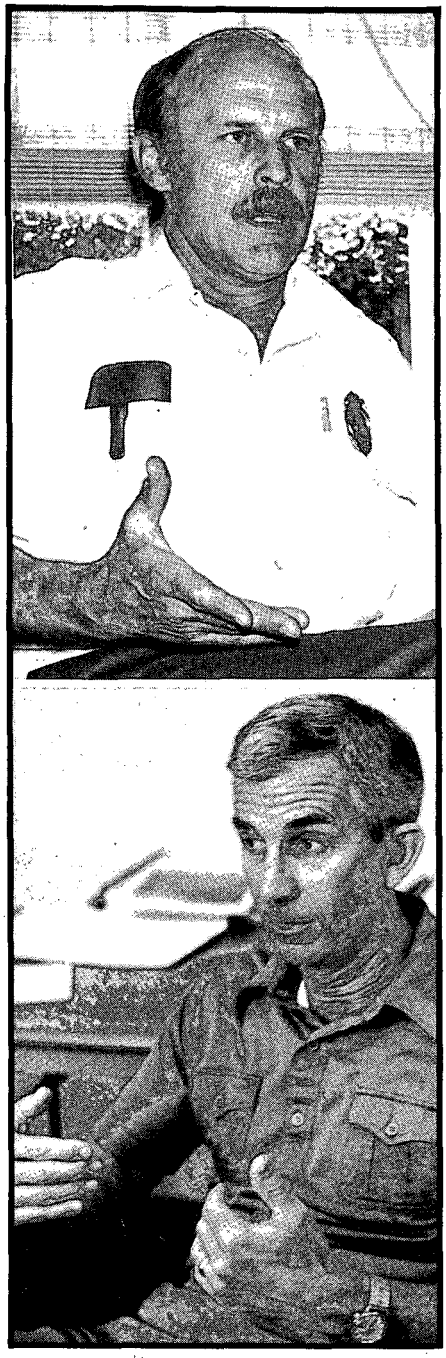
	VALLEY FIRE SERVICE (private)	DISTRICT 5 (government)
Value of property in service area	*$150 million*	*$147 million*
Size of service area (sq. mi.)	*250*	*67*
Number of dwellings protected	*3,000*	*2,000*
ISO ratings	*7 to 9*	*6 to 8*
Personnel		
Full-time	*9*	*23*
Paid reservists	*30*	*15*
Total	*39*	*48*

Source: 1980 State Fire Marshal's Report, State of Oregon

1982 Fire Service Cost Comparison

	VALLEY FIRE SERVICE* (private)	DISTRICT 5** (government)
DWELLING NO. 1		
Land	*$97,610*	*$81,571*
Improvements	*43,960*	*36,160*
Total	*141,470*	*117,731*
Rate Basis	*2.15 × Imp.*	*5.92 × Total*
Annual Cost	*$94.51*	*$696.97*
DWELLING NO. 2		
Land	*$23,310*	*$19,021*
Improvements	*52,010*	*42,440*
Total	*75,320*	*61,461*
Rate Basis	*2.15 × Imp.*	*5.92 × Total*
Annual Cost	*$111.51*	*$363.85*
DWELLING NO. 3		
Land	*$24,000*	*$19,584*
Improvements	*14,800*	*12,077*
Total	*38,800*	*31,661*
Rate Basis	*2.15 × Imp.*	*5.92 × Total*
Annual Cost	*$31.82*	*$187.43*

** Property values shown are market values.*
***Property values shown are tax-assessed values.*



District 5 chief Max Long (top) and city fire chief Gerry Ryan

seemed concerned about it, I asked him whether he thinks private fire services might be willing to sacrifice service to make a profit. "With Valley I would say yes," he replied, "because they are only going to have two men at the station to put out a fire. They don't have the manpower to do it. To make a profit, they have to have less manpower available to do the rescues and to come out and put out your fire."

I asked Ryan what he would do if he ever had a situation in which he had too many fires to put out. "The State of Oregon has a conflagration law. But a conflagration only pertains to a city." And if Valley Fire were to have 20 houses on fire, he claimed, "they don't have anybody to rely on to call in to help them. If that happened to me or to any other public fire department, we have other resources to call in."

What Chief Ryan was referring to is the well-known practice of mutual aid among fire departments. But when I asked Phil Turnbull about this criticism, he laughed, pointing out that Ryan's city fire department has adamantly refused to set up a mutual aid agreement with the private firm. But Valley Fire does have formal mutual aid pacts with Jackson County Districts 6 and 9, an informal arrangement with Grants Pass Rural, and another informal arrangement with the State Forestry Division. And Turnbull said they are planning to approach two other nearby districts to negotiate agreements in the near future.

At the District 5 Fire Station, Chief Max Long was less critical of private fire services: "I don't have any personal or professional objection to it if that is what the people in that community want," he said. Chief Long affirmed that the tax rates in his district are higher than Valley Fire's subscription rates, but he contended that if privatization of fire services were to become a national trend, "eventually their costs would rise up to the public-sector costs that we are faced with today." He attributed more expensive services in his district to the greater manpower he has on duty—23 full-time employees versus Valley Fire's 9. "A 250-square-mile district covered by 9 paid people is not going to be as effective as a 67-square-mile district covered by 23."

Yet the loss-ratio statistics cited above refute Chief Long's commonsensical proposition. The fact is, Valley Fire's customers are getting much better quality fire protection for about one-fifth the cost.

SO, WHAT HAPPENS when a private firefighting company fails to satisfy its customers? If they're lucky, a competing firm is allowed to step in. For the evidence is overwhelming that the entry of a second firm has improved the quality of fire protection in the Grants Pass area. Not only have two-thirds of the former company's subscribers switched over to Valley Fire, with its new equipment, professional staff, and much lower loss ratio, but competition has finally forced Grants Pass Rural to improve.

Last May the ISO conducted a grading of fire services in the Grants Pass area. And while a portion of Valley Fire's service area was upgraded from Class 8 to Class 7, the big surprise was that Grants Pass Rural was upgraded from Class 9 to Class 8 in the vicinity of its stations. Having settled with the IRS and reincorporated with a revised board, the company greeted the ISO inspection team with a new tanker, portable radios for alerting fire fighters, and (for the first time) training records. Although only time will tell whether the firm's performance will match its new rating, the turnaround is nonetheless dramatic.

With Rural now able to offer Class 8 rates, Valley Fire can no longer market its subscriptions based on insurance cost savings compared with its competitor. It is now focusing on the demonstrated quality of its service. And as of December, Turnbull reported that contract renewals were running at an impressive 98 percent.

Moreover, the company is not resting on its laurels. Last July it made its first expansion outside its original service area. After the voters of the Sunny Valley Fire District abolished their fire tax, Valley Fire arranged with the district to operate its station and engine. Instead of using tax money, the company is signing up the district's residents on a subscription basis, just as in rural Grants Pass: as of year-end, about a third of the district's households had signed up for fire service.

What the Valley Fire Service experience demonstrates is how effective competition can be in solving problems—even in a public-safety service like fire protection. It seems clear that the level of fire protection in the area around Grants Pass in 1976 was abysmal. The conventional approach, which almost won the day, was to create a fire district with taxing powers and to legislate the faltering company out of existence. Instead, thanks to a brash young entrepreneur—and to the absence of government obstacles—the citizens were given a choice of services, their taxes were not raised, and the level of fire service has improved dramatically.

Grants Pass's unique situation shows us, first, that more government is not necessarily the solution to poor-quality public services. And second, private enterprise is not in itself a panacea. What saved the day in Grants Pass was freedom of entry—the *ability* to compete. As long as markets are kept open, and free of controls and red tape, consumers are very likely to be well-served by entrepreneurs who are ready and willing to offer essential public services. ◻

Gaines Smith is a free-lance writer and editor. This article is a project of the Reason Foundation Investigative Journalism Fund.

THE WELFARE STATE

BY ARTHUR

THE ACCEPTED WISDOM today among welfare state enthusiasts and advocates is that the dire state of the welfare state—and they do at last recognize that something is going wrong with the welfare state—is a result of the slowdown in economic growth in Europe. This notion, however, belies a topsy-turvy relationship between economic growth and state welfare.

These thinkers made the common mistake of supposing that state welfare depends directly on economic growth, national income, and therefore tax revenue: the richer the country, the more it can spend on welfare. This was true 50 years ago when the state welfare system redistributed income from rich to poor. Today it is largely and increasingly a vast depot for the collection of tax and its return largely to the same taxpayers in services or cash, *minus* the cost of public administration. It is not a Robin Hood policy but a superfluous mechanism for sending coals to Newcastle.

The true relationship is that the higher the national income, the *less* should be spent on state welfare because as the *national* income grows so do *personal* incomes. People could then pay for welfare services in the market without the intervention of the state. The welfare system is in crisis for reasons far more fundamental than the temporary recession in European economic growth. The crisis is not temporary but *permanent.*

The welfare state was initiated in 1881 by Otto von Bismarck and Kaiser Wilhelm I. Ostensibly, the purpose was to protect industrial workers by providing social insurance against loss of income caused by accidents or old age. In reality, it was to defuse political disaffection and gain electoral support from voters supporting the Social Democrats. As in Britain under Disraeli, the motives were the economics of politics to win votes as well as the politics of compassion to help the underdog—*Realpolitik* as well as pity.

In Britain, in most parts of Western Europe, and around the world, the welfare state has grown into a virtual state monopoly on education and medicine, subsidized government housing, largely tax-financed state pensions, partly or largely tax-subsidized "social" insurance against interruption of earnings, tax-financed local government services from meals-on-wheels and home helps to day care centers and evening classes in basketry for middle-income housewives. It has developed from compassion to collectivism.

The welfare state is now increasingly enforced by coercion because it has outgrown the epoch in which low incomes ("primary poverty") and the alleged incapacity of the working class to learn the use of money ("secondary poverty") provided the excuse for statist-minded politicians of left, right, and center to use the state to provide social benefits in kind rather than in cash.

THE ENCROACHING MARKET

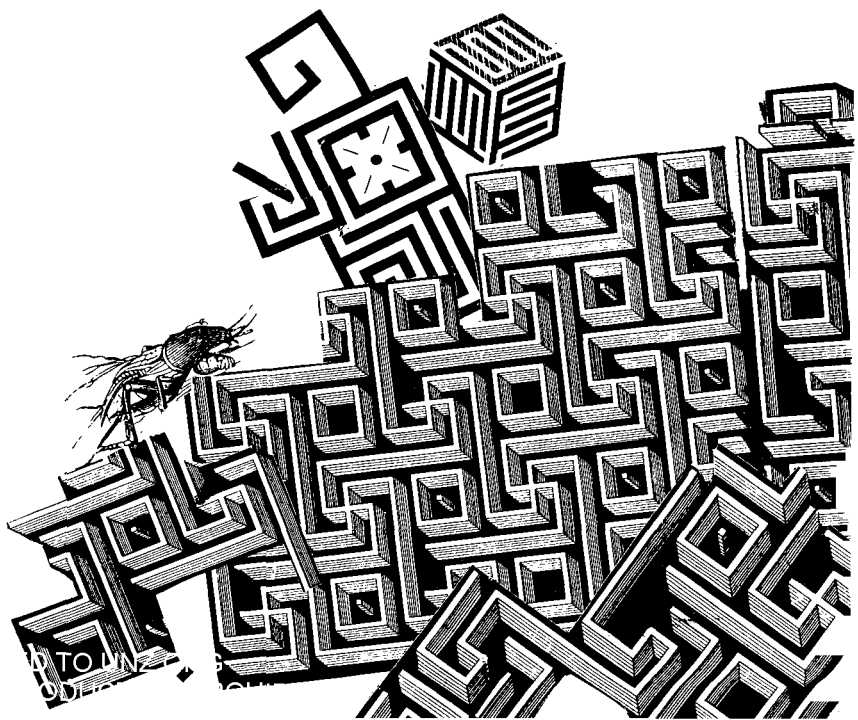
But the escape from the welfare state has begun, certainly in Britain and to varying degrees in other countries. General market forces are increasingly asserting themselves and will facilitate the process. On the side of demand, there are several such market forces.

First, as incomes rise, more individuals down the incomes scale will demand, and be able to pay for, better education, medicine, housing, pensions, etc., than the state aims or claims (but fails) to supply "equally" out of tax revenues. Individual "contracting out" in Britain is spreading despite double payment, once for state welfare not used and second for the privately provided services. It is spreading desultorily in education, where it is still only 5 percent; lately more strongly in medical care, growing to 7.5 percent; gradually in housing, where there is now 55 percent owner occupation, still a long way behind 80 percent in New Zealand; and intermittently in pensions, where 50 percent of employees have contracted out of state graduated pensions (the "basic" pension is compulsory).

Rising incomes also enable the family to reassert the affection of blood relationship, which has long been disfavored or even repressed by the welfare state but which is increasingly rejecting impersonal or tardy state welfare. (British queues for elective surgery are the longest in the world outside the Communist countries.) William Beveridge, father of the British welfare state, himself foresaw the family as the rock on which the welfare state might one day founder.

Another demand-side factor is the emancipation and emergence of women. More than men, they sense the power derived from choice between competing suppliers in household shopping, and resistance will arise over the contrast between consumers who are sovereign in everyday consumption but supplicants in monopoly state welfare.

Finally, there is an emerging under-



WILL WITHER AWAY

SELDON

standing that production and distribution of state welfare is decided by "voice" in "representative" bodies (parent-teacher associations, etc.) that are *unrepresentative* because they favor the loud-voiced and disfavor the mild-voiced. Parents or patients are not heard unless they can exercise the power of *exit*—to the market at home or overseas. "Loyalty" to the state institution will not prevail over affection in the family.

On the side of supply, too, market forces are countering the welfare state. First, technical innovation will facilitate escape from state education by sound and video tapes, etc. And state medicine will increasingly be replaced by "over-the-counter" self-medication, air-call (radio) doctors, etc.

Second, the longstanding emphasis in state welfare on technical economies of large-scale production, which created mammoth units in schools, universities, and hospitals, is yielding to a newer attachment to the economies of small-scale units. These offer a way of managing employees in times of strong trade unions when wage bargaining is run in each plant by local officials and shop stewards. In addition, small units run by local entrepreneurs (doctors, teachers, etc.) and in direct touch with consumers are more acceptable and more efficient than large units run by remote officials answerable to central government. Ministers who control finances ultimately decide policy, because there can be no local autonomy without local revenue.

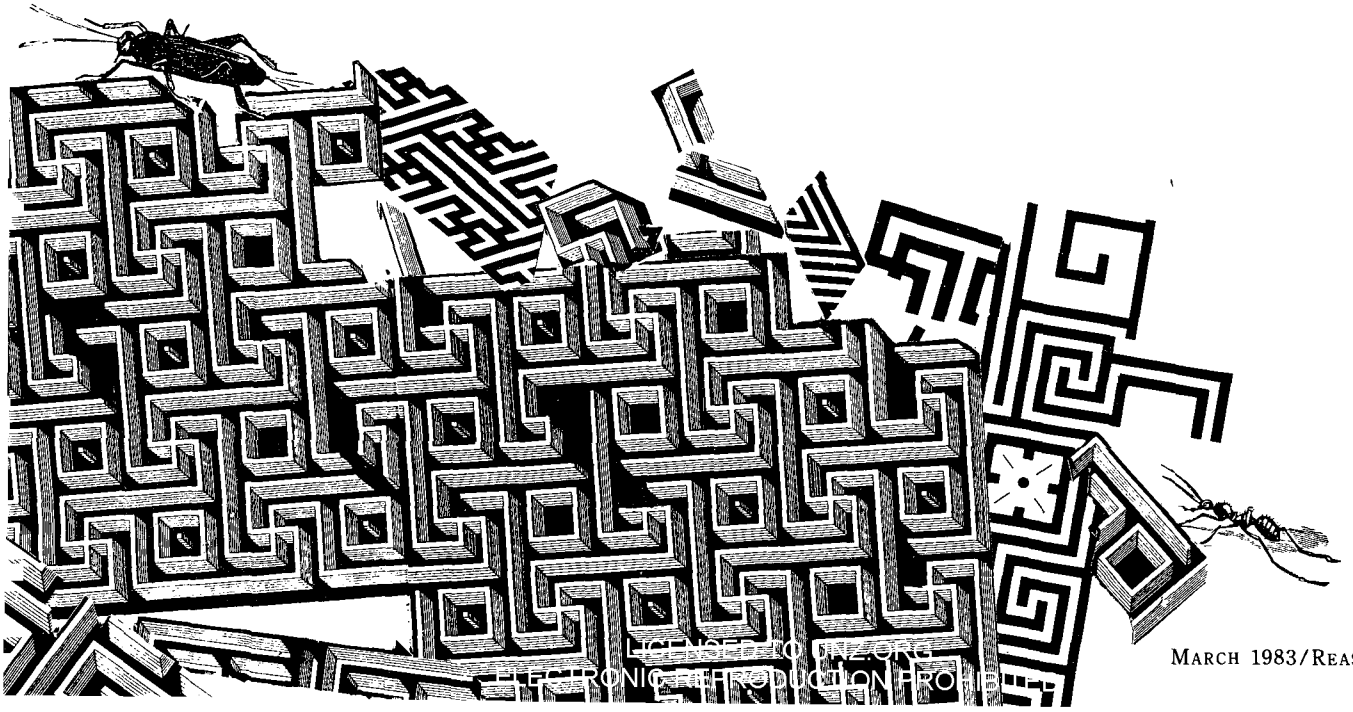
Another powerful factor is widening markets—the Common Market, North Atlantic Market, Pacific Common Market, North-South trade, etc. This expansion will facilitate comparison of state and private welfare services and therefore incite escape from countries with inferior state welfare services to countries with superior private services. The larger the area and the more diverse its cultures, the more difficult centralized state welfare is to administer—except, of course, by increasing coercion. That is the logic of the British socialists' opposition to the Common Market, which makes international socialism, not least in welfare, less practicable.

The welfare state is a reversion to medieval and postmedieval mercantilism that contains the seeds of its own dissolution by aggrandizing man as producer over man as consumer, intensifying resistance to change, and generating xenophobia, stagnation, and decay. Europe urgently needs a new Eli Heckscher to document the welfare mercantilism of Europe.

Finally, tax rejection will deny the state the funds to supply welfare at expected rising standards. Tax avoidance and evasion have merged, blurring the distinction between legal/moral and illegal/immoral, into "avoision." Prof. Edgar Feige of the University of Wisconsin, now working in Europe, has estimated 27 percent tax rejection in the United States and 15 percent or more in Britain, which I think too low (the semi-official British estimate is 7.5 percent).

In 1978, Prof. Gunnar Myrdal described his fellow Swedes as "a nation of cheats" in *Ekonomisk Debatt*. Some may be; many are perhaps more accurately described as "dissenters," in the English sense, or "dissidents," on the Soviet scene. This is the developing European "underground" against legalized confiscation. The head of the British Inland Revenue has publicly confessed that he pays his gardener in cash, thus acting as "accessory before the fact" to tax evasion. The British, Italians, Finns and Europeans generally, Americans, Australians, Asians and Africans, have been driven to dissent ("cheating") by *overgovernment*, not least in the welfare states. This is a truth that the willfully blind among conservatives, liberals, and socialists, politicians, academics, and clerics, will not see because it turns their gold to dross.

But I do not want to convey undue optimism about the demise of the welfare state. These market forces are, of



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course, resisted by politicians of all parties who enjoy power; by the bureaucrats, who defend their jobs; by sections of the middle class who like to run the welfare machine, who obtain lucrative employment, and who extract more than their "fair" share by superior cultural bargaining power; by trade unions of state welfare employees; by paternalistic academics (especially sociologists); and by the clerics (of most denominations) who think good intentions excuse bad performance.

JUMPING THE HURDLES

Yet there are responses that can offset these obstructions. First, a coalition, or confederation, of allied vested interests is required. Producers of competing private services—employees, doctors, teachers, etc.—whose bargaining power would be strengthened by competition with the state from private employers, and consumers, who would have wider choice—these have a common interest in subduing the welfare state.

It will also be necessary to discredit the repute of the welfare state—which in principle is no less flawed than the political state per se. Its appeal to be compassionate is empty. In practice, it responds to *power*. In Britain, for example, the old and mentally ill have fared worst in the National Health Service; the articulate, best.

Its academic appeal as the only or best method of supplying welfare is fallacious. Its central dialectical flaw is that *in its absence* the market would have provided better welfare, as it was beginning to do in the 19th century before state education, medicine, housing, or pensions were introduced. Even income redistribution was occurring—within the individual lifetime by insurance, within the family by tax-encouraged covenants, within communities by charity, etc., so that socialization by taxation could by now have been far less extensive.

The political-electoral appeal of the welfare state has prostituted wholesome language: *public* (interest), *national* (insurance), *social* (services), *community* (housing). The welfare state makes false claims to provide not otherwise available public goods, but most state services are separable, personal services. It claims to establish minima for individuals, but in practice it yields to the bargaining power of organized pressure groups. It claims to create equality of access, but in reality access is determined by differences in cultural power that are impossible to remove—accent, character, temperament, family, social ambiance, occupational links, etc.

The welfare state claims to respect and represent personal and private wishes, but it lacks machinery for discovering individual preferences. It claims to avoid duplication and waste, but in practice the state *creates* waste and inflates costs by replacing direct (consumer) payment with indirect third-party (state) payment. It then drives escalating costs, notably in medical care and education, *below* the consumer optimum by controls over schools and hospitals, teachers and doctors, that suppress choice and competition.

Another task is to demonstrate the hidden social costs of the welfare state. It is irresponsible, denies choice, resists innovation, and politicizes all aspects of life. It fosters producer dominance by syndicalism/corporativism, trade union hegemony, bureaucratization, onerous taxation that inhibits incentive and output, corruption, and secrecy. And it incites social conflict.

The intellectual and empirical case against the welfare state must then be given a practical boost. Devices must be created for beginning the transfer of welfare services that are not public goods from the state to the market. Possible strategies include developing means testing; changing from benefits in kind to benefits in cash to create competitive markets, especially in education and medicine; charging for state services; desocialization ("privatization"); reintroducing the 19th-century doctrine of "less eligibility" in 20th-century form; and enabling the poor to pay for welfare in the market by a negative income tax, tax credits, and vouchers.

Finally, the opposition to market forces must be neutralized. Politicians will have to be disciplined. Constitutional reform could limit their legal powers to continue outdated and unwanted state welfare services by the power to tax and to exclude, to suppress or inhibit, private services. Their *market* power of monopoly must be limited by open markets (as now in UK medicine). The welfare bureaucrats and trade union employees will have to be remotivated by bonuses for winding up a welfare service or must be pensioned off or bought out—though at a market, not monopoly, price. Middle-class beneficiaries may have to be bought out by countervailing benefits, reduced taxes, or possibly other inducements. And the intellectual guns of the paternalist academics should be spiked by the central argument that there is no case for state monopoly in welfare on two grounds: If there is an *a priori* argument for state supply (on grounds of externalities, etc.) the case is only for experimentation; and the exclusion or inhibition of unpredictable innovation is too high a price to pay for state monopoly, whatever its hypothetical advantages.

WHAT HOPE FOR LIBERTY?

In Britain, market forces are being followed at a safe distance by Conservative politicians who lead when they see their followers out in front. Labour, which has split at last by spawning the Social Democrats, and may split again into a Healey wing and a Bennite rump, will never govern again. The emerging working classes enjoying *embourgeoisement* will in time largely follow the Social Democrats who, as in Germany, will replace socialism with market orientation.

Significantly, one of their leaders, Dr. David Owen, former foreign secretary, has publicly talked of a "social market" in terms used by Ludwig Erhard and later by Sir Keith Joseph. And a doctrinal difference has opened up: supported by Roy Jenkins, formerly chancellor of the Exchequer and now back in Parliament. Owen has repudiated Mrs. Shirley Williams's lingering socialist aspiration to suppress private schooling—that is, a market in education.

For the Social Democrats to outlaw private education or medicine (the two largest services in kind in the British welfare state) would be, he says, "too great an infringement of personal liberty [and] against all international conventions on human rights." He is saying this not only as a Whiggish sentiment but also because he recognizes that the ordinary British people would not tolerate the suppression of choice in education and medicine. About 80 percent favor allowing people who wish to do so to contract out of state education and medicine, even though they themselves do not. Jo Grimond, the former Liberal leader whose party now collaborates with the Social Democrats, has said that Mrs. Williams's "addiction" to the abolition of independent education must be "struck out."

If 1881 to 1981 has been the century of the welfare state, beginning in Germany, 1981 to 1991 could be the first decade of its dissolution, beginning in Britain. *Okonomisches Gesetz* ultimately prevails over *Macht*, Eugen v. Bohm-Bawerk wrote in 1914. Time is on the side of the market, but escape from the state can be accelerated by market-oriented government. ◻

Arthur Seldon is advisory director to the Institute of Economic Affairs in London, which he helped to build up from its modest beginning. He is an author of several books on free-market economy. This article is adapted, by permission, from an article in International Background.

When the Smoke Clears

For nearly eight years Alaska has been the only state where the use of marijuana is legal. It's time to take a look at the consequences.

By Michael Dunham

Why should you be bound by rules that say, "Do not handle! Do not taste! Do not touch!" Such prescriptions deal with things that perish in their very use. They are based on merely human precepts and doctrines. While these make a certain show of wisdom in their affected piety, humility, and bodily austerity, their chief effect is that they indulge men's pride.

COLOSSIANS 2:20-23

On May 27, 1975, the Alaska Supreme Court announced a unanimous decision in the case of *Ravin* v. *State*. The ruling held that under the Alaska constitution, the individual's right to privacy takes precedence over any legitimate reason the state might have for prohibiting the personal possession and use of marijuana. Some people panicked at the decision. "Dark days are ahead. . . . God help the young people of Alaska," wrote one. Another predicted a future of "broken homes, broken spirits, heart-aches, grief,

Photographs by Joyce True

yes, and untimely deaths." Nearly eight years have passed since *Ravin*—enough time to assess whether the legalizing of personal possession and use of marijuana has had the predicted effects—or any effects—on Alaskans.

The legal opinion that fostered the state's unique approach to marijuana reflects the social character of Alaska's residents. Less than a lifetime ago, most people inhabiting the then-territory lived a lifestyle that was almost neolithic. The changes since then have been breathtaking.

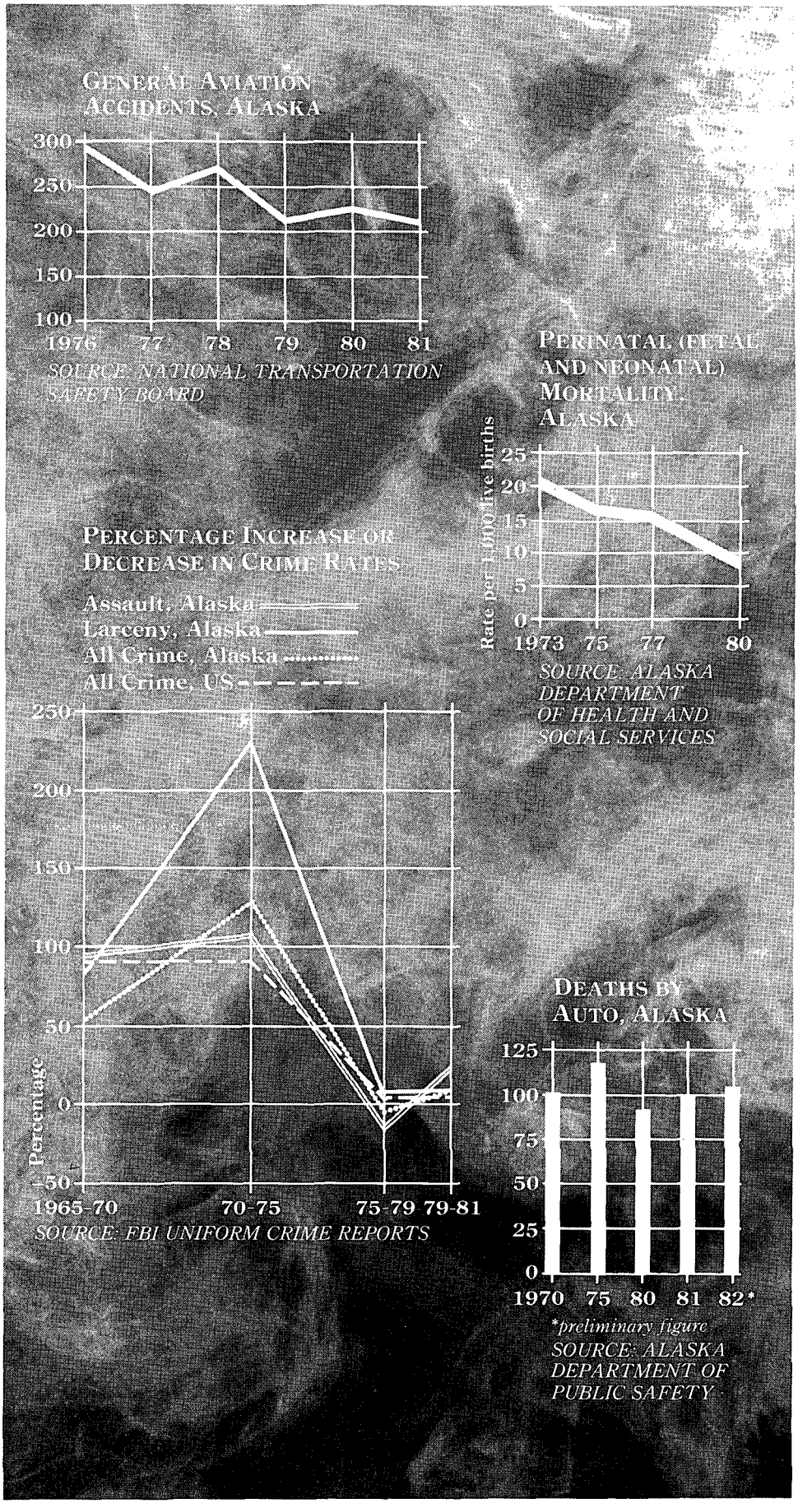
It was only in the 1930s that the indigenous people were first outnumbered by immigrants—often restless persons who disliked their former environments enough to make a radical change. In each ensuing decade, census data indicate that newcomers have outnumbered those who lived in Alaska before that decade. The ballooning immigration has created an aura of constant novelty and the feeling that anything is possible.

A dwindling group remembers Alaska before statehood when to enter the territory, one had to show a birth certificate and submit to batteries of vaccinations. Alaskans had to rely to a great extent on their own abilities and had to take responsibility for their own actions. Doctors and hospitals were rare. Few communities ever saw a judge or a court. With practically no law enforcement, there were very few enforced laws.

The territorial generation had the rare opportunity to devise its own government, constitution, and laws at the time of statehood in 1959. Many of the most conservative territorials were and are radically skeptical of official government pronouncements and strongly defensive of their private lives. One Fairbanksan expressed typically territorial sentiments when, after criticizing the way some of his neighbors lived, he added, "But I don't tell people what they can do on their property, because then they might get the idea that they can tell me what to do on *my* property."

The territorial generation constituted an electoral majority for the last time in 1972. In the August primary in that year, there ran on the ballot a proposed constitutional amendment that read simply: "The right of the people to privacy is recognized and shall not be infringed. The legislature shall implement this section." This referendum passed by a wide margin, and the right to privacy became Article I, Section 22 of the constitution of the state of Alaska.

By this time, the territorials were beginning to share power with their own



sons and daughters and the first wave of 1970s' immigrants. As a rule, the immigrants of the '70s were quite young; at the end of the decade, the median age of Alaskans was 26, the second youngest of any state. Many of the newer residents were veterans who had first-hand experience in Vietnam with both government absurdity and abundant marijuana. They were in a generation that would soon interpret the right to privacy in a way not entirely foreseen by the territorial generation.

The catalyst for the change was the arrest of Irwin Ravin at the end of 1972. Ravin was stopped by Anchorage police for a taillight violation. When instructed to sign the citation, he refused. A search was conducted, a small amount of marijuana was discovered, and Ravin was charged with possessing the substance. He was not totally unprepared for the event; a lawyer himself, he had previously discussed the possibility of a defense based on the right of privacy with fellow attorneys Collin Middleton and Robert Wagstaff. All three agreed that the time was ripe for a test case.

The trial was held in May 1973. Middleton and Wagstaff provided *pro bono* counsel for the defense, with legal and financial assistance from the Alaska affiliate of the American Civil Liberties Union and from the National Organization for the Reform of Marijuana Laws. A number of local and national authorities were brought in to testify on the assortment of medical and social issues that are perennially attached to the subject, such as the relationships between marijuana and crime, mental illness, reproduction, general health, and public safety. At the conclusion of testimony, Wagstaff moved for dismissal, arguing before the court:

We have shown that there is no compelling state interest of any kind other than oppression, historical bigotry, and hysteria that justifies its intrusion into a protected area and makes criminals out of those who have, in fact, committed no particular crimes. Under the authority of the Alaska Constitution, under our right to privacy... before the state can regulate the use and possession of particular substances, there must be a compelling state interest.

The district judge denied the motion to dismiss and was upheld by the Superior Court; so Ravin appealed to the Alaska Supreme Court. The resolution of the appeal took two years.

In the meantime, in early 1975, the state legislature prepared a bill to decriminalize the private possession of marijuana. Governor Jay Hammond threatened to veto the bill unless changes were made to restrict use in public, in vehicles, and by juveniles. As amended, the bill made possession of any amount in private, or up to one ounce in public, a civil offense carrying a maximum fine of $100. Possession of more than an ounce in public was a criminal misdemeanor. Sale remained a felony.

Decriminalization received legislative approval on May 16, 1975. With the tacit assent of the Republican administration, this Republican-sponsored bill was thus set to become law without the governor's signature.

At this point the first significant public comment was heard. The *Anchorage Times*, the state's major paper, urged its readers to "put heat on Hammond to veto the bill." The Alaska Peace Officers Association also pushed for a veto. But Hammond responded:

It is hypocritical to criminally punish users of marijuana while legally sanctioning the use of alcohol....In any event, I could not now veto without the legislature concluding that I had broken my word....such a course of action would not only be intellectually dishonest but became unavailable to me because of circumstances.

The debate would surely have grown more acrimonious but for the *Ravin* decision, announced only 10 days later.

Why should my liberty be restricted by another man's conscience?
—I CORINTHIANS 10:29

Written by Chief Justice Jay Rabinowitz, the decision noted first that although the US Supreme Court had inferred some rights of privacy from the Constitution, it hadn't recognized any right to own or ingest marijuana. Nor had courts in Hawaii, Michigan, and Massachusetts accepted that "smoking marijuana was...locatable in any 'zone of privacy.' " The Massachusetts Supreme Judicial Court, for example, had said that "there is no constitutional right to become intoxicated."

Traditionally, courts have considered some rights to be fundamental, not to be overridden by government unless there is a "compelling state interest." Rabinowitz reviewed some fundamental rights of privacy and concluded, "We would hold that there is no fundamental right, either under the Alaska or federal constitutions, either to possess or ingest marijuana."

But that was not the end of the issue. Even if marijuana use and possession isn't protected as a privacy right, said Rabinowitz, the court must take into account the relevance of *where the use and possession occur*; specifically, "if there is any area of human activity to which a right of privacy pertains more than any other, it is the home." Rabinowitz declared that the Bill of Rights is very clear on this issue. The Third Amendment guarantees against quartering of troops in a private home in peacetime. The Fourth Amendment establishes the right of citizens to be "secure in their... houses...against unreasonable searches and seizures." And "there exist a 'myriad' of activities which may be lawfully conducted within the privacy and confines of the home, but may be prohibited in public."

From this, Rabinowitz inferred that Alaskans do have a right to privacy that encompasses the "possession and ingestion of substances such as marijuana in a purely personal, non-commercial context in the home unless the state can meet its substantial burden and show that proscription of possession of marijuana in the home is supportable by achievement of a legitimate state interest."

But what "legitimate state interest" could there be? How could personal use of marijuana in the home affect the "public welfare" and thus be vulnerable to state prohibition? Rabinowitz noted that the state had presented scientific and medical reports of potential danger from marijuana use but that "in almost every instance...reports can be found reaching contradictory results."

And he read between the lines: "Possibly implicit in the state's catalogue of possible dangers of marijuana use is the assumption that the state has the authority to protect the individual from his own folly, that is, that the state can control activities which present no harm to anyone except those enjoying them." But earlier privacy cases, he pointed out, had established "that the authority of the state to exert control over the individual extends only to activities of the individual which affect others or the public at large as it relates to matters of public health or safety, or to provide for the general welfare. We believe this tenet to be basic to a free society."

The court accepted two legitimate state concerns—the potential for harm caused by drivers under the influence of marijuana and the possibility that use of the substance might spread among adolescents—but "these interests are insuffi-

cient to justify intrusions into the right of adults in the privacy of their own homes." Such intrusions had to cease—and did, with the *Ravin* ruling.

God did not make death, nor does he rejoice in the destruction of the living. For he fashioned all things that they might have being; and all the creatures of the world are wholesome, and there is not a destructive drug among them.

—WISDOM 1:13-14

For years, advocates of marijuana prohibition have argued that the dangers ascribed to the plant are far more threatening to the fabric of American life than are legal constraints on its use and sale. It has been suggested that if people were allowed to smoke marijuana with impunity, the country would end up populated by a majority of addicted criminals; drivers would run amok on the streets and highways; the national socioeconomic machinery would slow to a halt as otherwise productive citizens spent their time in a haze; children would become unteachable; lung, brain, and chromosome damage would be widespread.

For eight years, people in Alaska have been allowed to smoke marijuana and it is difficult if not impossible to find any data to support the most dire predictions. One is less aware of the presence of marijuana in Anchorage than in most major cities in other states. Complete strangers have offered to sell me marijuana in Houston, Honolulu, and Seattle—but never on the streets of Anchorage or Fairbanks. Despite personal legalization, public display is negligible.

There has been no increase in automobile deaths or aircraft accidents since *Ravin*; in fact, those rates are stable or declining. There have been no unexplained epidemics of infectious diseases, birth defects, or infant deaths. Alaska's crime rate—ferociously high since the arrival of the first immigrants—is growing at a much slower pace than it did prior to the decision and currently reflects the national norms more closely than at any time since such statistics were first gathered. (See charts, p. 34.)

There is no evidence that young people are using marijuana any more frequently now than they did before *Ravin*. The most authoritative post-*Ravin* survey of drug use by Alaskan high school students was being conducted at press time by Bernard Segal of the University of Alaska (REASON was unable to obtain preliminary results from the Anchorage school district). But less formal reports consistently indicate that early predictions of a generation lost to marijuana simply haven't come to pass.

SAT scores for Alaskan students are the highest in the nation and since *Ravin* have occasionally bucked the national trend of declining scores. The learning abilities, or at least the test-taking abilities, of Alaska's young people do not seem to be suffering unduly.

The point is certainly not that these statistics are the *result* of the *Ravin* decision. What is beyond dispute, however, is that no measurable social problem has resulted from allowing adults the freedom to use marijuana.

There might even be some benefits. One positive consequence of *Ravin* is undoubtedly the feeling of relief that Alaskans who use marijuana must feel now that they are no longer "criminals." It is of course impossible to know just how many citizens have benefited from the lifting of the legal stigma; but if the percentage of Alaskans who have ever smoked is no greater than the national average of 30 percent, this would mean that more than 110,000 individuals who would be on the wrong side of the law elsewhere are left alone in Alaska.

Finally, because *Ravin* protects possession of marijuana only for personal use—which means that smuggling and sales are still illegal—many Alaskans have chosen to take up home cultivation as the most convenient way to obtain their private supply. (In some rural areas, where outdoor growing is possible and wild specimens are plentiful, a majority of the citizens may actually be subsistence growers and cultivators.) This too benefits a state such as Alaska where, with no significant manufacturing or agriculture, in-state revenue is totally dependent on the export of limited natural resources. Each time a home-grown subsistence product is used in place of an imported black-market consumer product, money that would otherwise be winging its way elsewhere stays within the local economy.

It is not what goes into a man's mouth that makes him impure; it is what comes out of his mouth.... Do you not see that everything that enters the mouth passes into the stomach and is discharged into the latrine?

—MATTHEW 15:11, 17

It would be wrong to think that marijuana is no longer a political issue in Alaska. Last year, conservative pressure groups succeeded in pushing through new legislation that reinstitutes criminal penalties for possession of more than four ounces of marijuana. It went into effect in October; but *Ravin* defense attorney Robert Wagstaff contends that the new law runs afoul of the *Ravin* decision and would probably be declared an unconstitutional invasion of privacy if and when it is ever enforced. Indeed, Tom Fink, the Republican gubernatorial candidate last year and an opponent of legalization, observed in an *Anchorage Times* column that it would probably take a constitutional amendment to override the *Ravin* ruling. Although there is clearly opposition to unrestricted personal marijuana use, such a constitutional amendment is not an immediate prospect.

In a sense, Alaska was the obvious place for the legal frontier of marijuana legalization to be crossed. Much of the territorial generation and the immigrants of the '70s shared a belief that there is no way to restrict intimate personal activity without undermining for all the citizenry the most important freedoms of the republic, and they accept that prohibitions based on misinformation—no matter how well intended—will only aggravate whatever harm to the public is attributed to such private behavior.

Alaska's population shift is still continuing, creating new political coalitions and majorities. There's no way of knowing whether the immigrants of the '80s will identify with the attitudes and convictions of the earlier Alaskans, or what form this identification might take.

But the evidence of the past eight years is noteworthy. Using Alaska as a sort of laboratory, the *Ravin* decision has put old myths to a practical test. What has been demonstrated, if any demonstration was needed, is that legalization of marijuana has not brought an era of pandemonium and debauchery to Alaska. People are leading their lives much as they did before. The sun rises and sets just as regularly in Alaska as it did before *Ravin*. In fact, the only discernible difference it has brought is that fewer Alaskans are now being punished for minding their own business.

Be lawful, not full of laws. More restrictions mean weaker people.... more laws mean more violators.... The people are rebellious when rulers meddle in their affairs.

—TAO TEH CHING 57, 75 ◻

Mike Dunham is a commercial writer currently working on the West Coast. He lived in Alaska from 1955 to 1982.

Lemon Aid

Debunking the case for the Chrysler bailout

By James Hickel

"THREE YEARS AGO, THE CHRYSLER CORPORATION was on the threshold of bankruptcy—but in the nick of time it was saved by loan guarantees provided by the federal government. Because of those loan guarantees, which didn't cost us taxpayers a penny, Chrysler started on the road to solvency and is now beginning to show a profit. There is an important lesson to be learned from this happy experience: Adam Smith's ideas of laissez-faire capitalism don't fit modern industrial societies. American corporate success in the years ahead will depend on an intimate relationship between business and government, of which federal loan guarantees such as the Chrysler bailout will be only one manifestation."

This is the sort of argument one hears 'round and about the land these days. But this conventional wisdom rests on a bedrock of myths and half-truths about the Chrysler bailout. These myths have

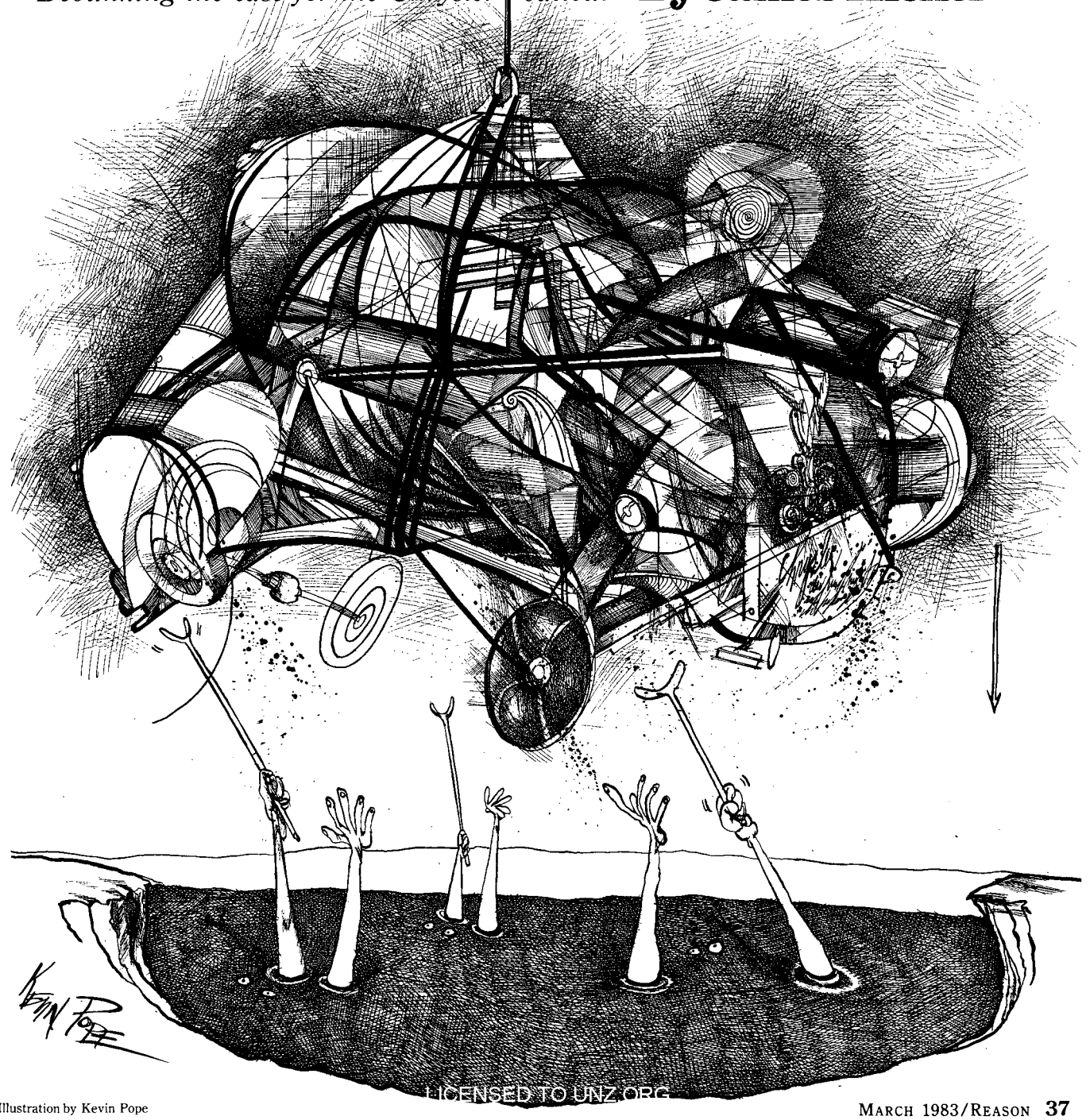


Illustration by Kevin Pope

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clouded important issues involved in the larger question of government loan guarantees for failing corporations. A look at some common Chrysler myths and the facts they have obscured reveals Chrysler's true financial condition and the real impact of those controversial loan guarantees.

Myth No. 1:

Government loan guarantees prevented the Chrysler Corporation from going bankrupt.

The Chrysler Corporation has already gone bankrupt. Or, to be precise, in the past three years it has renegotiated its debts and restructured its organization in a way that greatly resembles a company that has gone through bankruptcy.

The Chrysler Corporation Loan Guarantee Act of 1979 included a clause that required Chrysler's creditors at the time to make certain "concessions" to Chrysler. With that clause to exploit and with Treasury Department officials, including then-Secretary William Miller, pressuring its creditors, Chrysler was able to pay off more than $600 million in debts for 30 cents on the dollar. In addition, it converted nearly $700 million in debts into preferred stock—stock that is relatively worthless in the financial markets, because the shares presently earn no dividends and are unredeemable for several years.

But Chrysler's creditors aren't the only ones who have been hurt by the company's quasi-bankruptcy. Despite the fact that the loan guarantees were supposed to protect jobs at Chrysler, the company has cut its white-collar work force by 20,000 and laid off 42,600 of its hourly workers since the loan guarantee was signed into law. In the opinion of many observers, including Senator William Proxmire (D-Wis.), the number of employees laid off at Chrysler in this period is at least as large—and may even be larger—than the number of jobs that would have been lost had Chrysler actually been forced into bankruptcy.

In reality, the primary difference between the actual bankruptcy that Chrysler faced in 1979 and the quasi-bankruptcy that Chrysler has gone through over the past three years is that under this quasi-bankruptcy, the federal government has accepted responsibility for guaranteeing over $1 billion in Chrysler loans. But if Chrysler's creditors and employees have already suffered through the debt renegotiations and layoffs that typify reorganization under the bankruptcy laws, who is benefiting from those loan guarantees? Mainly Chrysler's stockholders, whose investment decisions are being paid for by the taxpayers.

Myth No. 2:

Federal loan guarantees are justified because Chrysler's financial problems were brought on by the federal government.

Although federal safety regulations have certainly contributed to the financial decline of the automobile industry, Chrysler's management played a decisive role in putting it on the road to bankruptcy. The company's problems began shortly after World War II, when it decided to stick with prewar manufacturing and styling methods instead of retooling to meet the expectations of postwar automobile buyers. While Ford and General Motors developed a sleek and streamlined automobile design that sold well, Chrysler's crusty top management forced the company to stick with the shoebox-style designs of the 1930s.

By the time this shoebox mentality had disappeared in the 1950s, Chrysler had slipped to third place among the nation's automobile manufacturers. Chrysler's panicky new management emphasized sales and production over engineering, and the firm's cars became little more than delayed copies of Ford and General Motors products. "Chrysler was always into a fad, but always into it at the tail end, after it had crested," says Maryann Keller, automobile industry analyst for Paine Webber.

Even Chrysler's own president Lee Iacocca doesn't accuse the federal government of total responsibility for Chrysler's plight. "I don't blame regulations for all of Chrysler's problems," Iacocca testified before a congressional committee. "I think that half of all Chrysler's problems were tough management mistakes." Regulations may have played a part in forcing Chrysler over the edge, but the stage had been set for Chrysler's problems long before seat belts and bumper standards were even a gleam in Ralph Nader's eye.

Myth No. 3:

The loan guarantees won't cost anything unless Chrysler goes bankrupt.

Under the provisions of the Loan Guarantee Act, Chrysler is supposed to compensate the federal government for the risk that the government has taken in making the guarantees. The House Committee on Banking, Finance, and Urban Affairs defined this risk as "the difference between the rate that the guaranteed loans carry and the rate Chrysler would be required to pay if the loans were obtained without the federal guarantees."

Just how large is the difference between the two rates? In early 1980 Chrysler was able to issue government-guaranteed bonds at an interest rate of only 10.35 percent, while Ford Motor Company was forced to pay about 14.50 percent for its unguaranteed bonds. If Chrysler did not have the loan guarantees, it would almost certainly have to pay a higher interest rate on its bonds than the more secure Ford Motor Company. Therefore, Chrysler should be paying the federal government a guarantee fee of at least four percent, right?

Even if it should be, it isn't. Instead, Chrysler pays only *one* percent, or about $12 million a year. Chrysler has attempted to make up the difference by granting the federal government the right to buy 14.4 million shares of its common stock at $13 a share. The government can exercise this right at any time until the end of 1990.

But consider this: If we assume that Chrysler will gradually pay off all of its guaranteed loans between 1983 and 1990, and if we accept the conservative figure of four percent as an adequate risk premium, and if we assume that Chrysler will continue to pay a guarantee fee of one percent a year (although Chrysler has had the audacity to petition the government to lower that rate to one-half percent and may ultimately get the reduction), and if we use a 10 percent discount rate in our calculations, then in order for the federal government to receive full compensation for its risk, the price of Chrysler's stock would have to rise to at least $42 a share by 1990. In January, Chrysler stock was selling for $17.13, and in 1982 it dipped as low as $3.50.

So, if Chrysler goes bankrupt, we lose; we're forced to come up with $1.2 billion to cover Chrysler's loans. On the other hand, if Chrysler doesn't officially go bankrupt, we "win"—but we may never be fully compensated for the $200 million in interest subsidies that Chrysler will enjoy during the 1980s. Either way, we almost certainly pay a price.

Myth No. 4:

Chrysler's top management has been forced to take dramatic cuts in salary until all of Chrysler's financial problems have been solved.

In 1979 when Chrysler was petitioning the federal government for the financial assistance it wanted, the company an-

ELECTRONIC REPRODUCTION PROHIBITED

nounced the implementation of a Salary Reduction Program. Executive salaries were cut by two to ten percent, and Lee Iacocca's base salary was reduced to one dollar a year (although it was made clear that, under the program, Iacocca would collect the balance of a recruitment bonus due to him in 1980). If Chrysler's financial performance was adequate after two years, the executives would be eligible to receive retroactive salary payments to make up for these reductions.

In 1981, despite the fact that Chrysler lost nearly $500 million in that year, the Salary Reduction Program was ended and executive salaries were restored to their 1979 level. Not only that, but the company made retroactive payments to its executives for about two-thirds of the pay lost while the program was in effect—on the rationale that its stock price in 1981 was about two-thirds of its 1979 price. Iacocca himself received over $360,000 in salary, supplemental payments, and director's fees in 1981—including "amounts paid in accordance with the Salary Reduction Program," according to documents filed with the Securities and Exchange Commission. There is nothing inherently wrong with this level of payment; in fact, the well-known Iacocca could probably be making much more money with a healthier corporation somewhere. Still, it's worth noting that the days of the much-ballyhooed Salary Reduction Program at Chrysler are over.

Myth No. 5:

Chrysler is on the road to financial recovery.

Chrysler's supporters were elated when the company reported a net profit of over $260 million for the first three quarters of 1982—its largest profit since the loan guarantees were granted. Many people have called this a "comeback" for the company, but rumors of Chrysler's resurrection may be premature.

It is important to recognize that most of Chrysler's profit for the first nine months of 1982 came from two unusual sources: the sale of its profitable Chrysler Defense subsidiary, and the carrying forward of massive tax losses from previous years. If these two extraordinary items are removed from the income statement, Chrysler is left with a profit of only $4 million from its continuing operations (although an unsold Chrysler Defense probably could have generated another $50 million in earnings for the corporation).

Chrysler managed to earn this modest profit despite the fact that it sold fewer cars than in the same period of 1981, when it lost money. The secret to Chrysler's newly-found profitability has been cost cutting. But is it the kind of cost cutting that provides a solid foundation for long-term profitability?

• *Decreases in research and development spending.* Chrysler boosted R&D spending from $161 million in 1972 to $358 million in 1979 (equal to $206.6 million in 1972 dollars). But between 1979 and 1981, R&D spending was cut back to $250 million (equal to only $116.1 million in 1972 dollars). R&D, of course, includes product planning and design for Chrysler's future models.

• *Decreases in capital investment.* Industry analysts are concerned that Chrysler is sacrificing long-term capital investment in the interest of short-term profits. "We still have long-term concerns about the company and the fact that during this period of trial and tribulation, they have not spent much money for product, plant, and equipment," says Harvey Heinbach, automobile industry analyst for Merrill Lynch. "This year, Chrysler will have invested $500 million in capital spending, compared to General Motors' $8 billion." These figures mean that Chrysler will devote only about 5 percent of its gross income to capital spending, while General Motors will spend nearly 13 percent of its gross income.

• *Deferrals of pension costs.* In January 1982, Chrysler reached an agreement with the United Auto Workers to defer $220 million in pension fund contributions. If we assume that Chrysler has been able to invest this money at 15 percent interest, then this deferral will have contributed more than $30 million to its 1982 year-end revenues. The UAW, which conducted a 104-day strike of Chrysler in 1950 over the issue of independent pension funding, is not likely to allow these deferrals to continue indefinitely.

• *Decreases in labor costs.* In January 1981, Chrysler negotiated special concessions from the UAW that saved the company more than $600 million in 1981 and 1982. After a threatened strike in the United States and an actual strike of Chrysler's Canadian workers in late 1982, Chrysler was forced to give back many of those concessions. More "givebacks" are expected when the current agreement expires in January 1984, and wage parity with General Motors and Ford workers is an avowed long-term goal of the auto workers' union and its members.

Not all of Chrysler's cost cutting has occured in these four areas, of course. But these examples illustrate that Chrysler's current profitability—as well as its prospects for future profitability—depend to a large extent on a set of unique and inherently temporary circumstances.

Myth No. 6:

Even if we don't like the loan guarantees, there isn't much we can do about it now.

True, there are currently $1.2 billion in outstanding loan guarantees that we can't do much about. There is, however, an additional $300 million in potential guarantees that should be watched closely.

The Chrysler Corporation Loan Guarantee Board, which consists of the secretary of the Treasury, the chairman of the Federal Reserve Board, and the comptroller general, has the authority to provide the additional guarantees. This authority expires at the end of 1983. Although Chrysler has said that it has no intention of drawing upon those remaining guarantees, it's entirely possible that as 1983 draws to a close, Chrysler's executives will have a completely natural reaction: "Aw, what the hell, let's grab it." Fortunately, the board has a number of tools at its disposal, including audits by the General Accounting Office, to prevent such a reaction from exposing another $300 million in taxpayers' money to needless financial risk.

Will Chrysler ever default on its guaranteed loans? No one can be sure. The best that can happen is that Chrysler will survive and the shrinking automobile market will be shared by four ailing auto makers, instead of the two or three relatively healthy car manufacturers that probably would have emerged had Chrysler been allowed to go into bankruptcy in the late 1970s. The worst that can happen is that Chrysler will formally default, and we'll all be stuck with a bill for $1.2 billion—and nothing to show for it. The fate of the Chrysler Corporation and a big chunk of taxpayers' money is at the mercy of several imponderables: Will the economy improve? Will the market for new automobiles improve? Will Chrysler's sales improve with it? Will Chrysler ever be able to pay off its guaranteed loans? Those are all mysteries right now, but one thing is clear: each of us is now an involuntary and undercompensated partner in a company whose future is still very much in doubt. And this is supposed to teach us that Adam Smith is passé? ◻

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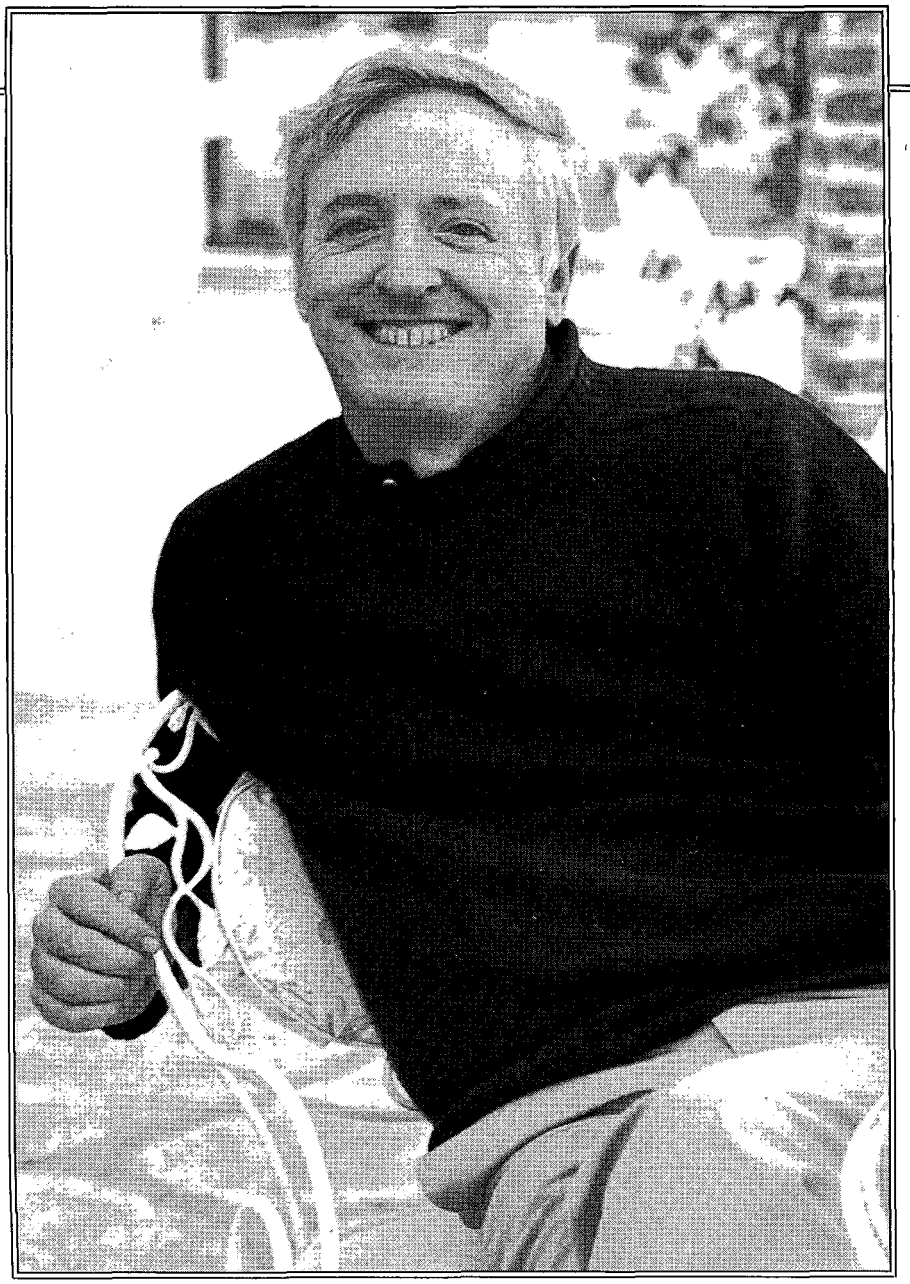


"Before Ronald Reagan, there was Barry Goldwater, and before there was Barry Goldwater, there was National Review, *and before there was* National Review, *there was Bill Buckley with a spark in his mind, and the spark . . . has become a conflagration."*

So proclaimed Washington Post *columnist George Will two years ago. His point was no exaggeration: if any one person deserves credit or blame for resuscitating conservatism and preparing the intellectual groundwork for the 1980 Reagan victory, it is William F. Buckley, Jr.*

The son of a conservative oil magnate, Buckley first attracted national attention with his book God and Man at Yale, *an attack on atheist and liberal sentiment among the faculty of his alma mater. In the early '50s he lectured extensively and coauthored* McCarthy and His Enemies, *a defense of the Wisconsin senator.*

The first issue of National Review *(founded, edited, and initially published by Buckley) was printed in November 1955. Within the conservative movement, Buckley's choices of editors and writers have been notably catholic: James Burnham, Max Eastman, Murray Rothbard, Garry Wills, David Brudnoy, and George Will, among others.*

Buckley shepherded National Review *through its early days as an obscure journal with a circulation of 16,000. Today it enjoys preeminence in a resurgent conservatism and a circulation of 100,000. In his spare time, he helped organize the New York Conservative Party and ran for mayor of New York City, founded Young Americans for Freedom, writes a syndicated column and a stream of books, parries with guests on his TV show,* Firing Line, *and maintains friendships with Sen. Barry Goldwater, socialist John Kenneth Galbraith, and Watergate burglar E. Howard Hunt.*

Buckley was recently interviewed by REASON *Senior Editor Tibor Machan.*

REASON INTERVIEW

William F. Buckley

REASON: Let me start with asking you a little bit about how your politics emerged. You're a very strong, effective, and long-time spokesman for a certain political movement in America. How did that come about? Did you grow into it? Was it a family matter? Did you learn about it?

BUCKLEY: Well, my father was a man of emphatic opinion. To what extent one acquires such habits from one's father, I don't know. There were 10 of us, and some of us were dis-

Photographs by Joyce True

putatious and others were not. I was on the debating team at Yale and the editor of the newspaper there, and if I had a natural gift for anything it's the contradiction, and a place like Yale abounds in contradictions—their professed purposes are often athwart their actual purposes. I saw an awful lot of this going on, so that whatever polemical spirit I had was provoked by that experience. So I wrote my book, and I guess that launched it.

REASON: You are basically a conservative of a certain kind. You and, for example, someone like George Will differ in your conservatism. George is more like a Continental conservative, and you are more like an American conservative.

BUCKLEY: Yes, I think that is correct. George is more willing than I to accept, if you want to put it in the American context, Hamiltonian emphases. I tend to be a little bit more pastoral and antistatist and Jeffersonian.

REASON: Do you think that your kind of conservatism is more defensible than his, or do you just accept eclecticism in the conservative movement?

BUCKLEY: I think everyone tends to reach out and distill, in the effort to defend his own philosophy, that which he finds appealing; and that which he finds appealing often is for him plausible. A combination of that tends to describe the persona of everyone's philosophy. I have resisted efforts to be schematic in the presentation of my own; in fact, I don't think I have done it in any formal sense since I did the introduction to a book on conservative thought [*American Conservative Thought in the Twentieth Century*, 1970]. It isn't laziness; it's that I have no appetite to do it. I would rather continue to be eclectic as required.

REASON: You are, however, fairly strict in your application of, say, logic and reasonableness to your adversaries. I remember reading way back, about 20 years ago, when you chided many on the left for inconsistencies on Cuba. Yet when it comes to your own views, you have more of a flux, as opposed to a rigorous presentation.

BUCKLEY: Well, I don't think that's true. I do allow increasingly for what I would call the artistic dimension. For instance, in the course of struggling with my novels, I have been persuaded that counterintelligence and espionage is a moral art. For instance, if you ask me, "Do you believe in assassination?" I would say no. But if you were to ask, "Do you believe that assassination is the worst crime?" I would say no. "Well, what's worse?" A world war is worse. "Do you believe therefore there ought to be laws against assassination?" Yes. "Does that mean you believe that there ought to be no assassinations?" No. Now, if you can find contradictions in that, go ahead, because I recognize them. I'm simply saying that no statement of my position that fails to permit these artistic exemptions—and I think they are artistic—will do justice to what I want to say.

REASON: Your Roman Catholicism is well known, but you are also quite critical of a good deal of official church policy, at least enunciated church policy emanating from the Vatican. To what extent do you find that disturbing to yourself?

BUCKLEY: The answer is not at all, because nothing that has been said with which I explicitly disagree in any encyclical is in any sense binding on me as a matter of faith. Moreover, much that has been said in encyclicals tends to contradict earlier or even later things said in encyclicals.

REASON: I find amenability to change one of the oddities of religious traditions. Sometimes drastic changes occur between centuries, and I have to wonder, where is the integrity of the Church? How do you reconcile that with your belief in this as a very valuable human institution?

BUCKLEY: Well, to the extent that the Church is human, integrity is not anything that one can necessarily expect from it. To the extent that it is a divine institution, one finds in it a continuation which I think is absolutely remarkable over a period of 2,000 years. It has never used a statement of authority explicitly to endorse anything that can be seen as contradicting the deposit of fide. Under the circumstances, all I can say is that the pope's the center of the experiment, and social pronouncements are subject to mistake. I think that a Catholic owes presumptive, not reverent, *attention.*

REASON: Taking you away from religion for a moment, I want to ask about you and Ayn Rand—Rand being someone whose work is often lauded in REASON. You and Ayn Rand crossed swords, and there seemed to be a tone to this disputation that was more than intellectual, more than even philosophical. There seemed to be a temperamental element to it. Did I perceive this wrongly or would you...

BUCKLEY: No, you're perceiving it absolutely correctly. I think it was unilateral. That is to say, I never engaged in a personal war against her, but she most certainly did against me, to the point of refusing to occupy the same hall, even if it was as wide as a block square, as I. My sin, as far as she was concerned, was to have published in *National Review* a review of her book by Whittaker Chambers. It's surprising to me that a libertarian should have visited the sins of granting libertarian rights to Chambers—to come to his own conclusions about her book—into a sort of general boycott.

REASON: Well, Rand didn't call herself a libertarian and in fact repudiated libertarianism—thought it is too shallow and so forth and so on. But as an editor of a magazine, you can certainly be criticized for publishing something. It has nothing to do with libertarianism or freedom of speech or whatever. It's an editorial judgment. If I say that you published a bad poem, therefore you are to be condemned as an editor of a magazine, that surely has nothing to do with whether I believe in free speech.

BUCKLEY: But a 29-year-old editor who decided to censor a review of Whittaker Chambers is—let me put it this way, it would be more presumptuous of me to do that than it would be to be prepared to sustain the outlook of Miss Rand. In any event, if I had personally to stand behind or to disavow Chambers's famous review, I would stand behind 90 percent of it.

REASON: Sometimes your public expressions of your views come quite close to what libertarians would identify with. I have in mind here your Cambridge Union debate with John Kenneth Galbraith, for example. On so many things you stand up for the individual, and you find that the state is encroaching on his or her realm of personal authority or conscience and so on. Why isn't it that you go all the way in this respect with the libertarians and maintain that there should be really a categorical imperative against state interference with the individual's liberty?

BUCKLEY: Because I don't believe in categorical imperatives, except in the matter of saving one's soul. I believe compromise is genuinely necessary in order to sustain social relationships, even at the most intimate level, for instance, between husband and wife. And under the circumstances I would certainly believe in it as regards hostile neighbors who have a fence between them.

REASON: But there is an equivocation that I sense here be-

tween society and state. Society includes friends, communities, professional associations, colleagues, athletic pals, and so on, and it's a far cry from the moral dynamics of relationships among the members of these social groups to the proper moral relationship between something like a coercive state and the members of that state. Yet when you say that society needs to do this and society needs to do that, it seems like you then end up with the state having to do it. Why?

BUCKLEY: I think you're correct in suggesting that the two terms are not synonomous. Albert Jay Nock spent a lifetime making that point. However, the term *personal* is most frequently used to suggest involving more than one person, and that which regulates the behavior of social groups is in part convention and in part law, and I was referring to the latter rather than to the former when I made the point you asked about.

REASON: I always wonder, when confronted with this position, why anyone would have confidence in compulsory measures as a means of improving and making better things that seem at best only probably improvable anyway and, then, why coercion should be employed in the face of these bad odds.

BUCKLEY: Are you making an empirical or a theoretical point?

REASON: I don't think there is that clear a distinction between facts and theories, or facts and values. This is a commonsense point that I am making. It's just knowing about the world a little bit and realizing that it seems not to yield to force very well.

BUCKLEY: Well, let me in that case introduce you to the cleavage. In Switzerland, for instance, every male on reaching the age of 18 must devote a year of his time to the army and must devote two to four weeks to the army over the ensuing 20 years. Now, an empirical case could without any difficulty be made to say that 8 or 10 percent of Swiss young men could be excluded from this obligation for this reason or that. But there is a bond which observably works, which introduces a high morale to the Swiss population precisely in virtue of the unanimity of the sanction. Now, if, for instance, a society feels that its *attachment* to that society is substantially vitiated in virtue of the toleration, let's say, of a movie based on a comedy treatment of Dachau, it tends to lose self-esteem. And to the extent that it loses self-esteem, it stands the danger of reducing that which is its principal resource in matters of emergency. An America that hates itself cannot possibly defend itself against the Soviet Union or anybody else.

REASON: Well, I suppose that the empiricism that lay behind my question is a little broader in the sense that I do not see any evidence for the overall quality of a society being helped by compulsion or coercion, although you might facilitate the arts or militia or something by a little push for a little while.

BUCKLEY: I'm talking about *morale*. A morale is not the kind of stuff you expect to see at a football game. I'm talking about a morale in the sense of urging you or me *voluntarily* to make sacrifices for the survival of something we cherish. Now if we don't cherish it, then we're not disposed to make any sacrifices.

REASON: Well, you know, every one of the concepts that you're employing here just yearns for the additional clarification, "But *of course* one has to do this voluntarily, otherwise it doesn't accrue virtue to the persons and to the population and they're not a quality society, they're, in some way, failing..."

"If I had personally to stand behind or to disavow Chambers's famous review, I would stand behind 90 percent of it."

"There is a difference between denying you the right to publish a book called The Affluent Society *and denying you the right to ready access to heroin."*

"I was very much animated by John Quincy Adams's statement that the American people are friends of liberty everywhere but custodians only of their own."

BUCKLEY: The most important word in my own cosmology is the work *presumption*. I believe in the presumptive right of voluntary action. If I didn't believe that it was presumptive, I would for instance be required to say that I did not believe in conscription in cases of national emergency, but I do. I believe in the presumptive case against the state. I want to be absolutely satisfied it can't otherwise be accomplished.

REASON: You have apparently used marijuana, at least outside the three-mile limit, and you once argued for its decriminalization. You have also urged the legalization of heroin for the terminally ill. Should our drug laws be recognized as as much of a failure as Prohibition was and repealed?

BUCKLEY: I understand and I am sympathetic to the case for the repeal of the marijuana laws. I would distinguish between the licensing of marijuana and the licensing of, say, heroin. I think there is a qualitative difference between the two. One is a habituant; the other is a mortally addictive—in many cases—drug. There, for instance, Thomas Szasz and I disagree most sharply.

REASON: Why shouldn't people be able to undertake a journey that is sort of never-ending?

BUCKLEY: For several reasons. One of them is the principle of quarantine. If I have a communicable disease, I am legitimately confined to my quarters. Now, experience tends to show that the use of heroin is—and I'm using here a metaphor—a communicable disease; that is, if I suffer from it, I'd like other people—and, perversely enough, people I love—to share an experience that I find exhilarating. That's point number one. Point number two—and here even Milton Friedman is a little bit cautious, although he has argued this with me ever since I took my position public in 1965; he does grant that this is not a situation about which it can clearly be said that it is a victimless crime—to the extent that I persuade others to take heroin along with me, I am victimizing them. But also, at another level, at which I as the father of a family desert my business in order to engage in a life of crime if necessary to feed my habit, or in any case a life of neglect, I am

as a result of the availability of this drug victimizing my wife and my children.

REASON: I'm sure you've heard arguments like this before, but surely I can persuade someone of Marxism, which is an awful thing; yet I shouldn't be therefore prohibited from advocating Marxism.

BUCKLEY: I agree with you, and this requires you to engage in an empirical exercise. I once said to [John Kenneth] Galbraith that whatever case could be made against fin-tailed cars or against so many of the cultural accretions that he and you and I might join in deploring, I personally feel that his books have done more damage than the cars. On the other hand, I recognize that there is a chemistry at work here that says to me there is a difference between denying you the right to publish a book called *The Affluent Society* and denying you the right to ready access to heroin.

REASON: But production is production, and if you believe in the regulation of production, then you regulate by the FTC the book flaps of John Kenneth Galbraith's books, and if they say, "This is the best book in economics," and it is not,... Truth in advertising...

BUCKLEY: Okay, you pull the reductio ad absurdum on me, I'll pull it on you. Why should I not be free to produce atom bombs?

REASON: There is a question of clear and present danger, which I do recognize as a category.

BUCKLEY: Well, the clear and present danger in the taking of morphine is very clear and very present. We recognize, do we not, as a historical matter—I gather it's true—that the British secret service attempted to make Kenyatta a morphine addict during the period that he was in detention, and we know that from time to time the Soviet Union has experimented in this. That is, there is unhappily a great temptation to try to make somebody a junkie, because such is our biological composition that 7 out of 10 people to whom you introduce the habit of morphine tend to invert their whole system of power to giving that precedence.

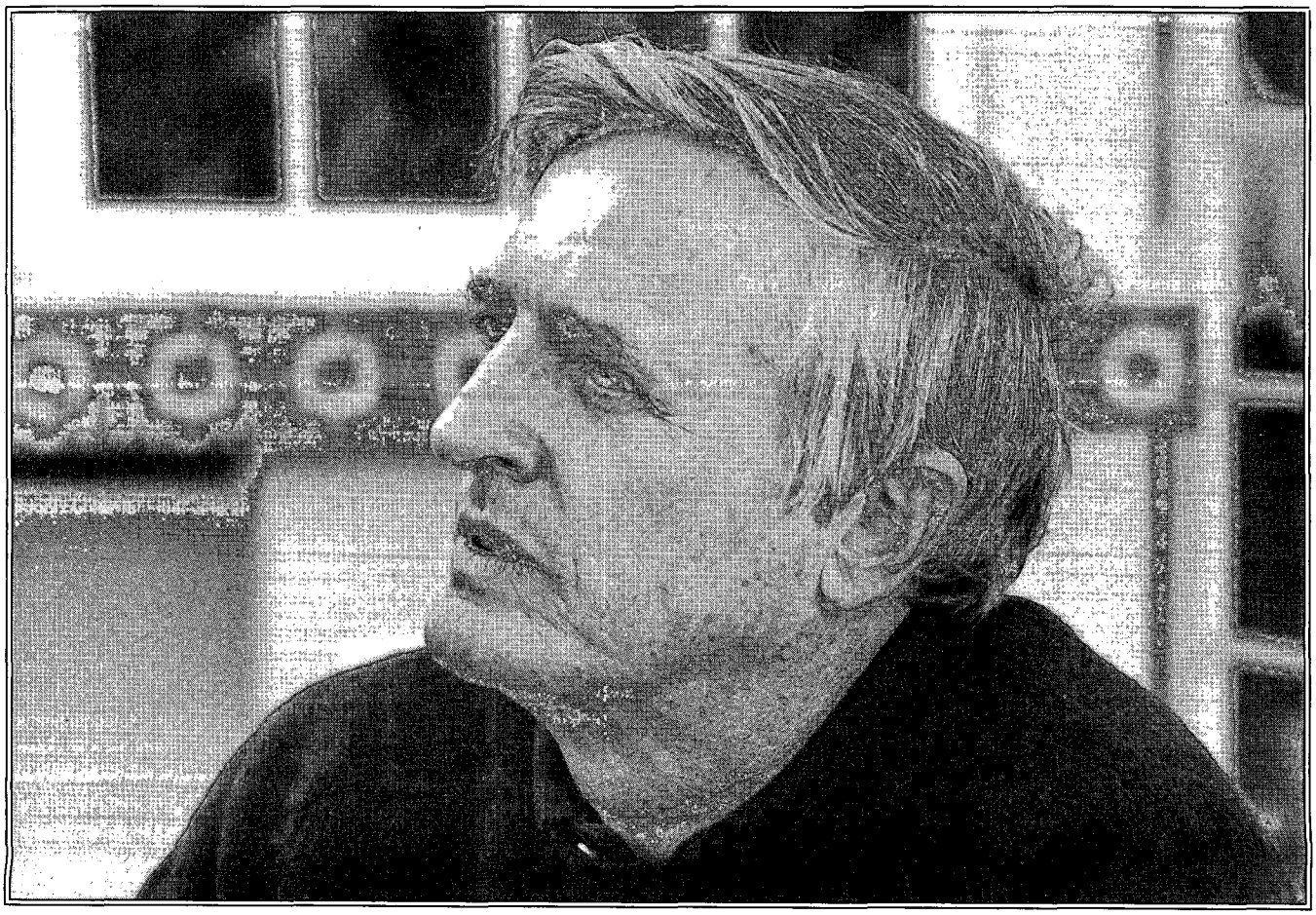
REASON: George Gilder's famous book, *Wealth and Poverty*, became the so-called bible of supply-side economics. What do you make of the fundamental claim in the book that capitalism is somehow an expression of an altruistic morality? Do you think that's a palatable claim, or is George reaching here?

BUCKLEY: I think the latter. I have quarreled with George publicly on that particular point. I appreciate the rhetorical resourcefulness of it, and I absolutely acknowledge that the effects of capitalism are altruistic. I deny that the motivation is necessarily such.

REASON: You had George Gilder on *Firing Line* with Robert Lekachman. What a match!

BUCKLEY: Lekachman was much more glib than George...

REASON: It really is unfortunate, by the way—this is just an incidental remark—that the people roughly on the free-market side have, I think, only Thomas Sowell who matches those on the left in wit and repertoire and everything that it takes for the media to make a star out of someone. The left just have too



many of these characters who navigate well.

BUCKLEY: Well, I think Thomas Sowell is terrific, but I don't think he is unique. I think Milton Friedman...

REASON: Friedman is very good at explaining things; nobody can get by him. But the kind of sarcastic wit that Lekachman has, which somehow attracts intellectuals, is just missing on the part of the opposition. Sowell is the only one who can sort of really hit them hard.

BUCKLEY: You're talking exclusively about the conversational part.

REASON: That's right—the conversation, one-upmanship, that type of thing. It's very, very rare among people on the free-market side.

BUCKLEY: Well, let me tell you why I think this is. It's in part, of course, because 90 percent of the verbalists are on the other side. But it's also because the other side is much easier to argue emotively. It's much, much, much easier to say, "Let's give Mrs. Jones in the ghetto an annual stipend of $10,000," than it is to say, "Mrs. Jones in the ghetto will in the long run be better off and be happier if that money comes to her as a result of the free operation of free human beings," because this requires you to go through a soritical process that begins from here and *ends up* with Mrs. Jones, rather than the instant benefaction, which is easier to visualize, especially by an audience. I have seen in so many situations of public confrontation—people like George McGovern, people like Ramsey Clark—bring down the house by a paragraph or two which I could easily compose and which I hope I am never so undignified as to copy.

REASON: Do you write all of your own columns?

BUCKLEY: Oh, *God*, yes.

REASON: You don't have any ghost writers yet?

BUCKLEY: No. If you could find me one, I'd pay him a fortune!

REASON: You've been doing *Firing Line* now for a long time—over 16 years. Is it still a gas or is it...

BUCKLEY: Never was a gas—very, very hard work; extremely hard work. In fact, of everything I do, it's probably the most difficult.

REASON: You've had an incredible array of people on there. I do notice that fewer and fewer folks on our side, let's say the libertarian right, show up.

BUCKLEY: Well, it's by design in the sense that I share about 90 percent of the views of most libertarians, and the charter of *Firing Line* requires that it be an exchange of adversaries. So although occasionally I sneak in the Goldwaters and the Milton Friedmans and so on, 90 percent of the people I confront are people with whom I disagree.

REASON: What do you think of President Reagan's treatment of the Central American situation? Or perhaps I should ask what you think of the Reagan foreign policy as it is—or is there a foreign policy there?

BUCKLEY: I think it's uncrystallized in the following sense. I think it is unprepared to use such weapons as are naturally ours, and they are primarily economic and psychological and spiritual. Now, I would like to see Reagan declare a really vivid economic boycott. I'd like to see everything headed in that direction. And I would consider this as sort of paramilitary. Now, in the matter of Central America, I am very much guided, very much influenced, as I have previously confessed, by what I call the Fulbright Codicil. The Fulbright Codicil is that the United States government has no proper concern to oppose any government in the world, no matter how odious its policies, so long as it does not seek to exploit them. When it seeks to exploit them, then we have a potential for a global disarrangement, which as a superpower we have a historical requirement to maintain at an intelligent level—you know, 6 marines situated in Hanoi might obviate the necessity of 6 million marines in California.

REASON: Suppose we have a situation like this: suppose that in a country like Nicaragua there is, as misguided as it may be, a genuine social Marxist revolution, and the Cubans are invited to assist in establishing this in the face of, say, an oligarchic class, a small band of very powerful rulers. Does the government of the United States now have the moral authority, the political authority, to go in there and save them?

BUCKLEY: My position on that point is spelled out in some detail in an article I published in *Foreign Affairs* a while back. In it I was very much animated by John Quincy Adams's statement that the American people are friends of liberty everywhere, but custodians only of their own. Now, how do you express your friendship for liberty in the modern world? I think you express your friendship for liberty by denominating antiliberty as such. And how that ought to be done, in my opinion, is platonically. That is to say, I would welcome the cancellation of all of our participation in the human rights agencies in the United Nations, for instance, and the substitution of a commission on human rights whose sole purpose was to instruct the American people on how liberty was faring elsewhere.

REASON: Sort of like a Freedom House.

BUCKLEY: That's exactly it.

REASON: Now I'm beginning to understand why you published John Lukacs in *National Review.* Lukacs is an anomaly in your pages at times.

BUCKLEY: Well, he is also a paradox.

REASON: In conversation with him I've found his view extremely isolationist almost to the point where he resents any kind of American expansionism, even ideological expansionism. He rails against the idea that America has anything morally to teach the world.

BUCKLEY: No, I don't think that's true. I think his point, if I understand it correctly, is that we do not need to worry other than to protect our own chastity, because the reverberations from *it* are all that we really need. He for instance says that the Soviet Union has left no indelible mark anywhere in Eastern Europe. If tomorrow Eastern Europe were liberated, there would be no residual conventions that had been inherited from the Soviet Union because of its natural predisposition toward Western ideals. Therefore he feels that an unnecessary physical interventionism there is on the one hand redundant and on the other hand unworkable.

REASON: I think he forgets about the bureaucracy, which is not a cultural facet but which has infested most of those countries.

BUCKLEY: I agree. I think he underestimates the power of totalitarian artistry to continue to dominate long after consensus has developed against it.

REASON: How important has *National Review* been in the rise of conservatism, the fact of Ronald Reagan's presidency?

BUCKLEY: I think it's been critical. We've published for 26 years, and he started reading *National Review* back when he was a Democrat and confesses to having been heavily influenced by it. Now, I don't say we made him president, but there was an accumulation of arguments, rebuttals, cultural probings, the assimilation of sociological data, which came out issue after issue.

REASON: Now that he's been president for some time, is it gratifying or is it a little disappointing?

BUCKLEY: Well, it's gratifying that we have somebody up there whose ideals are similar, if not replications of our own, and it is simply axiomatic that in a democratic society the person with those ideals isn't necessarily in a position to implement those. In electing Reagan, we didn't elect all the Congress or all the senators. ◻

VIEWPOINT

Why We're in a Depression

BY MURRAY N. ROTHBARD

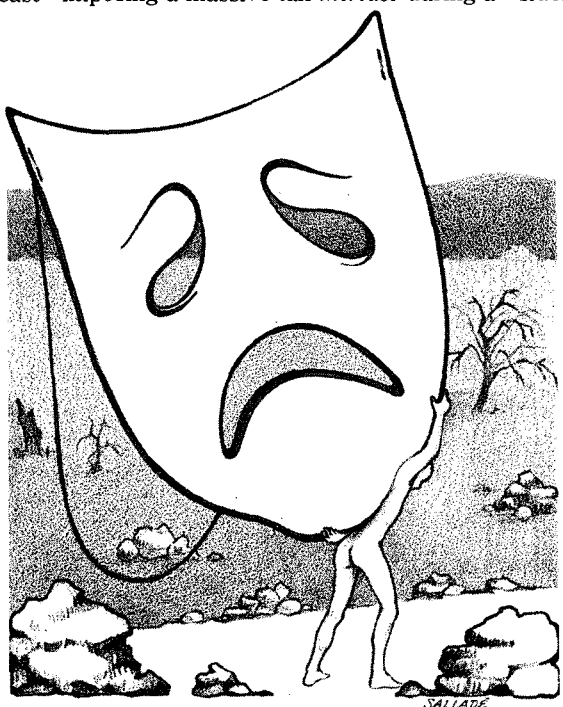
All parts of the political and economic spectrum agree that our economy is in an unprecedented economic mess. The mess is both acute and chronic. Acute: We are in the biggest depression (that's right, *depression*) since the greatest of them all in the 1930s. Chronic: We don't seem to be able to get out of this depression, and what's more, we have been in a grinding stagnation—lack of economic growth—since at least 1979. (Officially, we experienced a boom in 1980, getting us out of a recession, but the boom was brief and fitful, lasting only until Reaganomics plunged us into another depression in 1981.)

It is true that inflation has fallen from about 12 percent to 5 percent per year, but this is cold comfort, since the biggest depression since the '30s should have ended inflation altogether instead of simply slowing it down. For what happens when a boom returns? All this means that the economy is suffering from chronic inflation, punctuated by severe recessions or depressions and overall stagnation.

There are various schools of thought purporting to explain the mess and, as a corollary, counseling us on how to get out of it. The Keynesian school, arrogantly riding high from the 1930s to the mid-'70s, came a cropper during the great 1973-75 recession. For Keynesianism decrees that recessions are caused by underspending and inflations by overspending. So Papa Government is supposed to step in to stabilize the economy by pumping up spending via budget deficits during recessions and by taking in spending via surpluses during inflationary booms.

But what happens when there is inflation *and* recession at the same time, as in 1973-75—and since? The Keynesian answer is that it can't happen, but unfortunately for the Keynesians, it *did*. Since even the Keynesians can't produce a deficit and a surplus at the same time, their theory was discredited once and for all among objective observers.

It was perhaps too much to expect, however, that the Keynesians would fold up their tents and leave quietly. They are still around plaguing us, except now they are confused instead of arrogant. They are powerful in the Reagan administration and are still tinkering wildly with the deficit, hoping that *something* good will turn up. If a bigger deficit doesn't seem to work, then a smaller one might do, and so we have the economic monstrosity (which would send Keynes or any other economist worth his salt up the wall) of imposing a massive tax *increase* during a recession—probably the single dumbest economic act since a similar blunder by the unlamented Herbert Hoover.



The Reagan administration also, however, brought two newer schools of thought to the fore. One is monetarism (or "Friedmanism"), which took total control of the Treasury Department and working control of the Council of Economic Advisers and managed to bludgeon its control over the Federal Reserve. Monetarism has no theory of depressions but claims that a gradual and steady decline in the rate of growth of the money supply will lower inflation without causing a recession. Apparently, recession is only the result of a sudden shock and does not inhere deeply in the economic system.

But the facts of 1981-82 dealt a body blow to the arrogant claims of monetarism. Inflation was brought down all right, but the gradual slowing of money growth precipitated a whopper of a depression, while real interest rates skyrocketed, blocking any possibility of early recovery.

The other new school of economics—the "supply side"—got a great deal of publicity but received only lip service from the administration. The supply-siders did not want to lower government spending at all. Neither did they wish to stop inflating at the old rates. Instead, they placed all their reliance on a massive tax (especially income tax) cut.

On the resultant deficits, either they profess not to care about deficits at all or else they trot out the famous Laffer Curve as the nostrum that will provide all the three contradictory goodies that the public wants: keeping up the level of government spending and hence the handouts obtained from Washington, drastically lowering income taxes, and getting a balanced budget. According to the Laffer Curve, tax-rate cuts will so stimulate energy, work, and investment that total revenue will rise enough to effect a balanced budget. But suppose that the federal government decided to impose a 30 percent tax *increase*? Does anyone in his right mind think that federal revenues would *fall*?

We are left with another school of thought, one that has not enjoyed anything like the publicity or influence of the others. This is the "Austrian school," so named after the land of its founders, the late Ludwig von Mises and Friedrich A. Hayek. Like the monetarists, the Austrians place the root of the inflationary evil in the Fed's printing of new money. But unlike the monetarists, they don't believe that anything can be accomplished by gradualist tinkering by the Fed. For unlike the monetarists, Austrians have an explanation of recession and even of inflationary recession.

The Fed's creation of money and bank credit causes price inflation. But it also causes something else: a dislocation of investment and production. Interest rates are pushed below their free-market

(Continued on p. 56)

Illustration by Susan Salladé

1040 Blues

BY TIMOTHY CONDON

All right, this is the last chance I'll have to talk with you about doing your 1982 income taxes before the April 15 deadline hits. What follows is a general round-up of hints and suggestions as we all turn to that symbol of government taxation run amok in America, the Form 1040.

First of all, everyone should be aware that with the passage of the misnamed Tax Equity and Fiscal Responsibility Act of 1982, Congress has decided to "get tough" with taxpayers. Scared by an explosively growing underground economy and urged ever onward by those who benefit from an ever-growing state, the lawmakers passed a bill that is ending the "self-assessment" system of taxation in America.

I'll explore the vicious new attitude of Congress in a future column, but for now you should know one thing: If you employ a professional—accountant, lawyer, tax advisor, or whatever—you need to ask him or her how the new law has changed the way your taxes will be done. The problem is a new standard regarding when the extensive new penalties can be assessed by the IRS for understating your taxes. The new standard says there must be "substantial authority" for your position instead of the previously required "reasonable basis."

In addition, the penalties can be slapped on the taxpayer *and the tax preparer.* The latter can escape a $1,000 penalty by disclosing "all of the facts relevant to the tax treatment of the item," either on the face of the return or on a sheet attached to it. Ask your tax advisor or preparer: *How are you dealing with the new penalties and the new "substantial authority" standard?* If the answer is not to your satisfaction, you might want to shop around for a new helper or learn more about the tax laws yourself.

You should also know that many of the forms have been extensively changed. This is not too unusual: the authorities like to keep the forms churning so that nonprofessionals remain somewhat confused and inexpert. But the changes this year are more extensive than usual, due to the great changes in the tax laws themselves. Get a set of the new forms as soon as possible if you do your own return, and look them over. If there are things you don't understand, seek help in a tax book or from a professional.

There are several entirely new tax forms you'll want to know about. One, the 1040-EZ, is aptly named...for simpletons. If you want to be "EZ" and give a maximum amount of your money to the government, use it. I recommend that no one *ever* use either the 1040-A or this new form. They are designed for people who think they have no tax breaks. Even when I have a client making peanuts, I go through the whole gamut of tax-saving devices that might possibly apply. Almost always a hidden tax break appears. Stay away from the "EZ" forms.

Congress has decided to "get tough" with taxpayers.

For the first time, the federal government has actually done something with the tax code that encourages rather than discourages saving and investment by the broad middle class. I'm referring to the "universal" Individual Retirement Account (IRA). Now *anyone*, whether covered by another pension plan or not, can start up an IRA and put $2,000 per year into it (given that you've earned at least that much during the year). The $2,000 maximum contribution can then be deducted from your income on the Form 1040. A single person making $25,000 per year, with no other tax breaks, would gain an extra $681 refund. Which ain't hay. You have until April 15, 1983, to put $2,000 into your IRA established in 1982. Go to it.

Another new form many of us will use is the Schedule W: Deduction for a Married Couple When Both Work. Starting with the 1982 tax year, a couple filing jointly can deduct 5 percent of an adjusted amount ("qualified income"), which is the smaller amount earned by either spouse. The Schedule W shows you how to do it, and the extra deduction comes off on line 29 of the Form 1040. In 1983 this break will go up to 10 percent. Neither amount is sufficient to offset the built-in bias against families where both husband and wife work. But it's better than nothing for those of us who choose not to get divorced each December and remarried in January (which still appears to be a viable maneuver, by the way).

If you received unemployment benefits during 1982, look out. Although the Reagan administration's suggestion that such payments be taxed offered Congress and the media a chance to weep and beat their breasts, the fact is that these benefits have been subject to taxation for several years now, given certain circumstances. In the past, if you made more than $20,000 ($25,000 if married and filing jointly), (subject to all kinds of adjustments, of course), then some or all of the unemployment money would be taxed. For 1982 that "base amount" of income is reduced to $12,000 for singles and $18,000 for married couples filing jointly.

Finally, keep in mind that you don't really have to file your entire tax return on April 15. If you haven't had time to wade through the forms and other garbage that is our national tax system, you may file a Form 4868: Application for Automatic Extension of Time to File US Individual Income Tax Return. In the past, the extension was for two months; now that's been lengthened to *four months*, so you won't have to mail in the return till August 15.

This form does not allow you to put off paying any tax due. You must estimate what you will ultimately owe and send it in with the Form 4868. If you estimate wrong, you pay interest and penalties—or you delay your refund check. So make sure you or your preparer know what's going on with your tax situation. Or face the ugly consequence: you might let the government have more money—for four months, at least—than you absolutely *have* to.

Tim Condon is an attorney and a tax specialist practicing in Florida.

The Latest Dope on Opiates

BY SANDY SHAW AND DURK PEARSON

Before 1914 and the passage of the Harrison Act, Americans were free to purchase any drug, including heroin and other opiates. (By 1914, heroin had been available for about 16 years.) Because sale and purchase of heroin was legal before 1914, there was no black market and no reason to hide importation and sales figures. Approximately 1-2 percent of the US population was addicted to heroin and other opiates at that time.

Nowadays, it is much more difficult to gauge the extent of opiate addiction because of opiates' universal illegality, but the best estimates are probably around 1-2 percent. It is ironic that the immense burden of opiate controls has succeeded only in greatly increasing the cost to society of opiate addiction—especially to many victims of crime—while failing to clearly reduce the percentage of the population that is addicted.

Most people given opiates have no interest in repeating the experience. In fact, heroin was originally developed by the Bayer Pharmaceutical Company as a nonaddictive cure for morphine addiction. The team of scientists and physicians who developed heroin at Bayer took it every day for a month, then suddenly stopped. None of them had any desire to continue using the narcotic.

Nor is heroin as physiologically hazardous as most people think. Even with unclean needles and contaminated and unknown doses of heroin, the death rate for heroin addicts is about 1 percent per year. By comparison, at least 5 percent of alcohol addicts die every year!

What is known about opiates and addiction to them? How can an addict kick the habit without unpleasant withdrawal symptoms?

Methadone, an alternative to heroin, is promoted in the United States. Unfortunately, methadone is also addicting and is much more difficult to stop using than is heroin. This is a factor in the reluctance of many heroin addicts to embark on methadone "therapy." It is not surprising, however, that methadone clinics receiving thousands of dollars of government money for each addict "treated" are loathe to discontinue its use or admit its deficiencies.

Dr. Irwin Stone, the man who first interested Linus Pauling in vitamin C, has found a way to withdraw addicts from heroin without withdrawal symptoms. He gives addicts 30 grams a day of sodium ascorbate, a nonacidic form of vitamin C, tapering the dose to a maintenance dose of 10 grams a day. (These large doses do not cause diarrhea in heroin withdrawal but do in methadone withdrawal.) One plausible explanation for this withdrawal therapy: vitamin C has been shown experimentally to inhibit the breakdown of natural opiates—the endorphins—by specific enzymes in the brain; so it may prevent the desire for a fix (to increase brain opiate levels).

Another treatment recently discovered is a combination of naloxone (which blocks opiate receptors in the brain) and clonidine (a medication for high blood pressure). If naloxone alone is given to an addict, withdrawal symptoms are immediately precipitated, but the addition of clonidine results in the absence of symptoms. It is not yet well understood how clonidine is able to do this. It is thought to mimic certain of the actions of the opiates, occupying brain receptors that would otherwise be occupied by opiates. Clonidine itself is nonaddictive.

Also effective in greatly reducing opiate withdrawal symptoms is delta-9-tetrahydrocannabinol, the main psychoactive chemical in marijuana. Opiate addicts have claimed for years that marijuana aids withdrawal, ironically acting as a stepping stone *away from* rather than *to* heroin, as conventional wisdom would have it.

There are natural opiate-like compounds, the endorphins and enkephalins, in all of our brains. In a real sense, we all use opiates daily. The effects of some of these natural opiates are sometimes very similar to those of heroin, including the need for regular "fixes" and the occurrence of withdrawal symptoms. Some people seem to be more susceptible than others.

For example, animals and people can be induced to eat by putting them under stress. In one study, stress-induced eating in rats was blocked by administering the opiate antagonist naloxone. In another study, it was found that some obese humans released much more endorphin in response to eating than do normal-weight persons. Naloxone also reduced food intake in experiments with rats, cats, and rabbits. Thus, some overweight people may be addicted to their own endorphins.

Jogging has been shown to release endorphins in the brain. Many regular joggers describe a high typical of opiates. The development of tolerance, typical of opiates, also occurs; joggers report the need to run longer and longer distances in order to get the high. Withdrawal symptoms (nervousness, agitation, and even diarrhea, insomnia, and cold sweat shakes) may occur when regular heavy jogging is prevented by bad weather or injury.

The apparent role of opiate-like compounds in our lives has been expanded by the finding recently reported in *Science* that human mother's milk contains morphine. The quantity is enough to have a drug effect on the infant. Possibly it is there to keep the infant calm and euphoric. It is known that endorphins are involved in the bond between mother and infant; separation distress in infant monkeys has been precipitated by naloxone (which blocks the effects of endorphins).

Cow's milk, alfalfa, and lettuce also contain heroin. During the Civil War, when opium was unavailable, lettuce was boiled down into a gum called "lettuce opium" that was used like opium. We used to think this was a fanciful case of the placebo effect. But, these are not mere trace amounts; an adult milk drinker may get as much morphine in a day as 10 percent of the dose prescribed for severe pain.

We recently learned at the Symposium on Stress, Immunity, and Aging (October 27-29, 1982, at UCLA) that endorphins, which can be released from the adrenal glands in very large quantities during stress and trauma, depress the immune system (particularly the T-cells, responsible for locating, killing, and eating bacteria, viruses, and cancer

(Continued on p. 56)

We invite questions of general interest from our readers. Send your query along to REASON Health & Welfare, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

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SPOTLIGHT

Freedom-Oriented Expresser

BY PATRICK COX

Hong Kong is a name that immediately conjures up visions of business. The tiny island off the coast of the world's largest Communist country ranks 18th among the world's nations in exports. Business news is obviously an important commodity in the British colony. It may be a little surprising to find a REASON reader in the role of business news editor of the largest English-speaking paper in Asia. It is *very* surprising to find a woman in that position.

Hong Kong is not a feminist paradise. Asia has been significantly slower than the West to accept women into the ranks of business. But Dende Montilla (pronounced den′dē mon tēl′ ya) has become something of a celebrity as the premier purveyor of business news in a country that has no natural resources to speak of except entrepreneurs and hard workers.

Born in the Philippines, Montilla did her postgraduate work in journalism at Marquette University in Milwaukee as a Rotary Foundation fellow. She went on to work at the *Manila Chronicle* in a variety of positions, including coverage of crime and politics before martial law made a sham of political reporting. She even served a stint as assistant editor of the paper's *Women and Home* magazine, though she has never married and exclaims, "I could not cook to save my life!"

In 1969, she met a young American while covering an advertising convention in Hong Kong. He proposed that she come to work in Hong Kong, but Montilla dismissed him as a big-talking American until he wrote to her on the letterhead of the *Hong Kong Standard* and asked her to set up either a women's section or a business section for the newspaper. She opted for business and became Asia's first woman editor for a major publication.

Acceptance was slow for Montilla, who laughs that she still meets people who automatically decide that a woman in Asian journalism must write about recipes and fashion. After five years at the *Standard*, she left her baby—the business section of that paper—and accepted the business news editorship of the prestigious *South China Morning Post.*

On a first-name basis not only with Hong Kong's business leaders but with Communist China's business and policy leaders, Montilla is in the unique position to see developing policies that will profoundly affect the future of Hong Kong now that the British lease on the island is up for renegotiation. Unfortunately, she does not have any favorable predictions to make. She is not convinced by Chinese assurances that the residents of Hong Kong have nothing to worry about.

DENDE MONTILLA

Though the Chinese are scrambling to learn about business, they are handicapped, she says, by years of central planning. The business leaders of Hong Kong today are mostly Chinese, but they immigrated before the Communists changed the relatively free pre-1949 China into the disastrous land of the Cultural Revolution. Unlearning Chairman Mao's wisdom is difficult, and the journalist points out that this generation of Chinese immigrants is so used to having decisions made for them that few are able to adjust to the daily choices necessary for success in the hectic, ever-changing world of Hong Kong business.

The Chinese threat to Hong Kong's free enterprise weighs heavily on the people there, but there is as much fear that the current protectionist trends in the European Common Market and the United States could cripple the exporting nation. The two factors have combined to contribute to a modest 4 percent rate of real growth in the Hong Kong economy, down from the usual 10 percent growth rate. It is the middle class that is really worried, Montilla says. There are fears that the Chinese will change the benevolent tax structure. (The maximum personal tax is 15 percent; businesses pay only a little more; and there are very few indirect taxes.) Increased taxes and trade restrictions are a terror to a people who, she says, revere Milton Friedman as the unofficial patron saint of their island.

Ms. Montilla suggests that the colonial status of the island has been a boon because political avenues of attaining wealth were simply not available. "Business is all we've got," she says, "so that is where people put their energies." She speculates that the constitutional restraints on government intervention, honored during the first part of our history and thus facilitating America's successful free-enterprise system, are analogous to the effects of living under the benign neglect of the British.

America could learn a great deal from the history of Hong Kong, according to Montilla. She faults the US government for protecting weak industries at the expense of more efficient industries that could be more competitive in the world market. But she does think that the United States has it over Hong Kong in terms of exporting a philosophy of individual rights. "In a way, the whole island is a free-market think tank. We live it and breathe it. But we don't think much about it." So Hong Kong, she suggests, should do more "to export the philosophy and policies more aggressively."

Hong Kong is proof that a relatively unencumbered market allows people to succeed, and Dende Montilla is proof that anyone, even a woman in the man's world of Asian business and journalism, can make it if she really wants to. It is nice to know that a REASON reader is setting editorial policy at the largest English-speaking paper in Asia. It is especially interesting to note that it is the number-one business paper in China itself, and Dende Montilla is at work sending her message into the heart of the largest nation in the world.

Patrick Cox is a free-lance writer and a frequent guest columnist for USA Today.

arts & letters

MOVIES

Reviewed by John Hospers

Gandhi

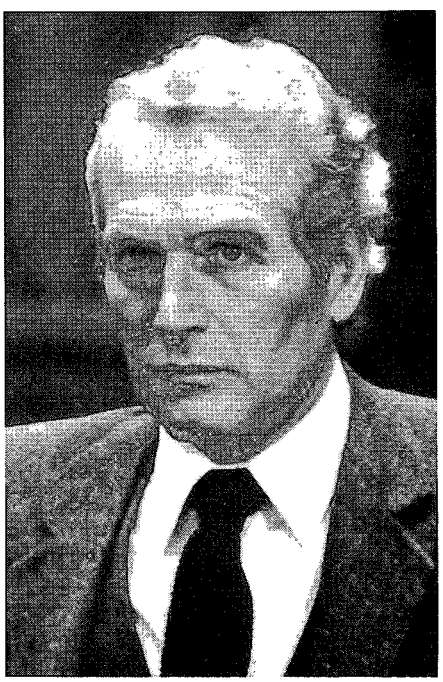
Gandhi, which director Sir Richard Attenborough planned for 20 years, has finally reached the screen. The 3½ hour film traces the life of Gandhi from his early experiences with racial discrimination in South Africa in the 1890s through his career in India and up to his assassination in 1948. It is a richly textured historical saga such as one seldom sees. Ben Kingsley as Gandhi gives one of the most stunning characterizations in recent film history: he ages with Gandhi, not only his face but his walk and demeanor and manner of speech; here, we feel, is Gandhi the man, not an actor. All the other parts are well played, but they pale into insignificance beside his.

The film appeals more to the intellect than to the emotions, which in this case is not a criticism. One is seldom deeply moved but one watches his career, and along with it a period of history, with rapt fascination. There is not the fire or imagery that a David Lean would have put into such a film; Attenborough has chosen to be self-effacing and let the story tell itself, which in this case is undoubtedly the wisest course. He does not tinker unnecessarily with the historical facts.

What is most interesting in this film is the development of the idea of nonviolent resistance and its long-term effectiveness in ejecting the British from India. "But you can't expect us to just walk out of India!" exclaims the British viceroy (John Mills). "In the end that is what you will do," replies Gandhi. "You will just walk out. One hundred thousand British cannot control 350 million Indians if they refuse to cooperate."

The effectiveness of the strategy is repeatedly demonstrated. When his associates recommend armed resistance, Gandhi says, "Terrorism on one side breeds terrorism on the other. And are these the kind of men we would want to lead us after independence?" When the coldly efficient British general (Edward Fox) guns down a crowd of peaceful demonstrators and an Indian leader comes to Gandhi and says, "Now it's an eye for an eye," Gandhi replies, "An eye for an eye only makes the whole world blind." When riots break out against the British, he fasts almost to death until the riots cease out of reverence for him. "I want to change their minds," he says, "not punish them for the weaknesses we all possess."

Yet such strategy is effective only if the leader is so revered that followers of conflicting persuasions will unite to do his will. Had Gandhi not already been accepted as a holy figure, such gestures would have been futile. Moreover, a certain degree of toleration by the British is also presupposed: had they been willing to shoot down resisters by the thousands or if they had suppressed all publicity connected with Gandhi's actions, nonviolent resistance would have been ineffective: in Russia, Gandhi would simply have been taken to the Lubiyanka prison and killed, and no one would have known what happened to him. When Margaret Bourke-White (Candice Bergen) asks in the movie, "Would passive resistance stop Hitler?" Gandhi replies, "In the end, but only after much pain." But against huge massed armies and tanks and atomic bombs, one wonders whether the technique of nonviolent resistance, ultimately so effective in India, would work.



Paul Newman rests his case in The Verdict.

It is the main virtue of Attenborough's film that it succeeds in recreating for us a period of history in which the plausibility of nonviolent resistance is not only tested but is victorious. The term *thought-provoking* can be applied to very few films, but it can be applied generously to this one. For that reason, if for no other, it should not be missed.

The Verdict

Films bearing the directorial trademark of Sidney Lumet are always cause for anticipation. His stories deal with important social issues, usually involving injustice. His characterizations are solid, realistic, complex. He deals with moral problems to which there is no easy solution, and by presenting them in all their real-life complexity, he makes us see both sides of every issue he treats. His direction is always taut, focused, propulsive. Even the smallest parts are cast so well that one feels that nobody but the actor who takes them could possibly have done as well in the role.

His latest film, *The Verdict*, is no exception. Though not as chillingly suspenseful as his *Twelve Angry Men*, which takes place entirely in a jury room (about half of *The Verdict* occurs in a courtroom), it is totally absorbing. Though the complexity of the main character is not as deeply probed as in his 1981 film *Pride of the City*, the story line is more direct and easier to follow. Lumet's usual locale is New York City; this time it has moved to Boston. An alcoholic has-been lawyer desperately needs the money but refuses a bribe from the Catholic Church that is offered in exchange for his keeping out of court a case in which two physicians at the Catholic hospital have turned a patient into a vegetable by administering the wrong anesthetic. Paul Newman as the lawyer has his juiciest acting role in years, as does James Mason as the smooth, unflappable, and totally amoral attorney for the Church. There are some questionable legal points passed over in the film (why shouldn't a xerox copy be acceptable in court when there is evidence that the original has been tampered with?), but the corruption in both the medical and the legal professions—not to mention the ecclesiastical—is brought home with great dramatic force. Lumet's achievement is, as usual, one of the best films of the year.

John Hospers is the author of Understanding the Arts. *He teaches philosophy at the University of Southern California.*

BOOKS

Conservative Bark, Pragmatic Bite

Reagan
By Lou Cannon
New York: G.P. Putnam's Sons.
1982. 464 pp. $18.95.

Reviewed by Bruce Bartlett

For some time it has been fashionable for conservatives to blame the Reagan administration's faults on members of the cabinet or the White House staff rather than on President Reagan himself. It is alleged that James Baker or David Stockman or some lesser-known administration official has either duped or misled the president into endorsing policies that are contrary to conservative principles. The president himself has generally been exempted from criticism—even when he clearly takes a personal role in the formulation and implementation of an anticonservative policy, as in the case of the 1982 tax hike.

Unfortunately for conservatives, Lou Cannon's excellent biography of Ronald Reagan makes clear that his deviation from conservative principles is the norm rather than the exception. The reality is that Reagan is far more of a pragmatist and much less of an ideologue than some of his supporters would like to believe.

Lou Cannon, currently the White House correspondent for the *Washington Post*, has been covering Ronald Reagan since he first appeared on the national political scene in 1964, with his famous speech on behalf of Barry Goldwater's presidential bid. Cannon says that he likes and respects Ronald Reagan "while remaining skeptical that his actions will achieve the results he intends." It is difficult to tell which is dominant, his apparently genuine affection for Reagan or his skepticism. He would certainly lose credibility with the Washington press corps if he were to write an unabashedly positive biography of a president whose philosophy is totally contrary to theirs, but he would lose access to the president if he were to write a totally negative biography. The result is somewhat of a compromise but one that nevertheless provides an enormous amount of factual data about President Reagan that, I believe, tells us a great deal about him and what to expect in the future.

Cannon begins at the beginning, detailing Reagan's youth and upbringing in Illinois, education at Eureka College, early career in radio, and later career as a Hollywood film star. According to Cannon, Reagan was not nearly as much of an anti-Communist as head of the Screen Actors Guild as Reagan tends to portray himself and really did not begin to become a conservative until starting to work for General Electric in the mid-1950s, when his film career had essentially ended. Cannon says that Reagan's job giving speeches on behalf of GE swung him around from a middle-of-the-road Democrat to a conservative Republican.

Even so, the change was not as abrupt as it may appear. According to Cannon, Reagan merely changed the words *corporate profits* to *big government* in his speeches on the causes of our economic problems. Although Cannon implies that Reagan "sold out," trading his moderately liberal views for ones more in tune with his employer's, he also shows how Reagan's increase in income during the 1950s made him more conscious of the intrusion of government into his life, principally through high tax rates.

The really important part of Cannon's book, however, details Reagan's two terms as governor of California from 1966 to 1974. In many ways, his presidency seems almost a replay of his governorship.

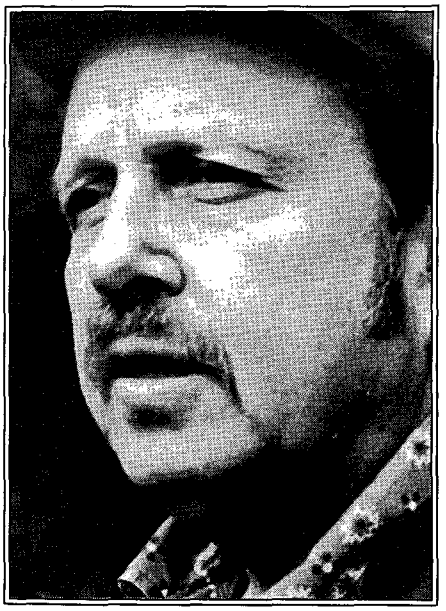
For example, he came to office determined to impose radical conservative change, vowing to cut the state budget across the board. Ultimately, however, it proved impossible to achieve this goal, partly because of incompetent staff work and partly because of having unrealistic goals. He then turned around completely and pushed through the largest tax increase in California history.

By Reagan's second term he had become a fairly conventional governor, whose major attempt at radical change was an ill-fated effort to cap state government spending via a constitutional amendment. Interestingly, Cannon points out how moderate Proposition 1 was compared to California's later Proposition 13.

Cannon also details how Reagan bungled the abortion issue (from the perspective of his conservative constituents), ultimately signing into law legislation that for all intents and purposes established abortion on demand in California. Cannon also provides data showing that, for all his conservative rhetoric about cutting government spending, Reagan actually increased spending for most social programs at the fastest rate in California history—despite the savings from welfare reform, which Cannon actually credits more to changes in the population than to the effects of the legislation. In the end, he paints a fairly convincing picture of Reagan as a moderately liberal state governor whose rhetoric was far tougher than his actions and who was not unwilling to support liberal policies when his conservative policies met with resistance.

About a quarter of Cannon's book details the run for the presidency, beginning with Reagan's short-lived 1968 effort and covering the 1976 campaign as well as all the factors involved in the 1980 victory. Cannon paints a portrait of Reagan as a man with superb political instincts—far superior to his staff's—but a tendency to delegate too much responsibility to subordinates.

The discussion of John Sears, who ran the 1976 and 1980 campaigns until being



Lou Cannon

fired, calls to mind the current controversy over Jim Baker. In each case Reagan put total control in the hands of someone from outside the California circle who held philosophical views different from his but who won the job by being a competent technician. In each case, however, the "technician" ultimately came to run the whole show. In Sears's case, his power even extended to the removal of Lyn Nofziger and Mike Deaver—two of Reagan's oldest and most loyal aides—before ultimately being removed himself. I strongly suspect that

Photograph by Robin Gradison

the same fate will befall Jim Baker.

Cannon's book closes with a brief review of Reagan's presidency up to late 1981. He notes correctly that Reagan has already changed direction, just as in the first year of his governorship. He concludes that Reagan's principal influence on policy has come largely from setting the agenda, rather than directly from his initiatives. He believes that Reagan will not run again in 1984 but that his influence will continue.

All in all, Lou Cannon's biography of Ronald Reagan is competent, informative, and unintentionally, disturbing. I am now far more concerned about the future course of the Reagan presidency than I was before, far less confident of his commitment to conservative principles and radical change, and fearful that we may have blown the best opportunity in a generation to change fundamentally the political and economic direction of the country.

Bruce Bartlett is the deputy director of the Joint Economic Committee of Congress and the author of Reaganomics: Supply Side Economics in Action.

Battlestar America

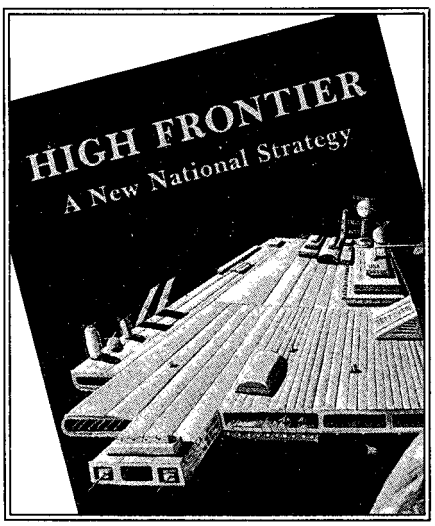
High Frontier: A New National Strategy
By Lt. Gen. Daniel O. Graham, USA (Ret.)
Washington, D.C.: High Frontier. 1982. 175 pp. $15.00.

Reviewed by Michael J. Dunn

As military advisor to then-candidate Ronald Reagan, General Daniel Graham proposed a radical shift in defense strategy that would exploit spaceborne weaponry to shield the nation from nuclear attack, thus breaking free of the doctrine of "mutual assured destruction" (MAD). Once Reagan became president, these proposals were ignored, but General Graham decided to bring the idea to the public. With the assistance of the Heritage Foundation and several dozen aerospace-industry executives, he has produced a comprehensive proposal titled *High Frontier* (not to be confused with a similar title by space enthusiast Gerard K. O'Neill).

Graham's premise is that MAD is both immoral and impractical: the former, because it subverts the role of the military from the defense of Americans to the destruction of Soviets, an emphasis that alienates public approval and support; the latter, because it entails perpetual accumulation of nuclear weapons, an economic juggernaut that we cannot indefinitely sustain. Also, the relentless increase of Soviet nuclear and conventional military power creates an unstable environment for the continuation of MAD—particularly as Soviet strategic theory *repudiates* MAD and focuses instead on theories for war winning and war survival.

Given the bankruptcy of MAD, compounded by the inability of the US government to compete with the Soviet government in arms production, a compelling and rational alternative would be to break out of the MAD deadlock by exploiting existing American technological advantages in a resolute strategy of "assured survival." The obvious instrument for this strategy is the demonstrated American prowess in space technology and electronic miniaturization.



In order to meet the urgency of the growing Soviet threat, *High Frontier* proposes a five-point military crash program:

- A point defense system for US ICBM silos, effective enough to deny the Soviets any confidence in their ability to wage a first strike (ready by 1985 at a cost of $5–$8 billion).
- A first-generation spaceborne ballistic missile defense (BMD) system, capable of significant attrition of a Soviet ICBM attack during the boost phase of their flight (ready by 1988 at a cost of $13–$15 billion).
- A second-generation spaceborne BMD system, capable of destroying hostile objects anywhere in near-earth space (ready by 1994 at a cost of about $5 billion if conventional technology is used, at greater cost if advanced weapons are used).
- A manned utility vehicle, capable of satellite inspection, on-orbit maintenance, and space-tug missions to altitudes not attainable by the space shuttle (ready by 1990 for less than $1 billion).
- A comprehensive civil defense program to provide shelter and contingency supplies for the preservation of the citizenry in event of an attack (completed by 1985 at a cost less than $5 billion).

The overall program has high technical credibility in that it extrapolates from known technology—but cost and schedule estimates are founded on an ambitious, success-oriented approach. It is very clearly gambling on the success of simple weapon concepts that can be developed and deployed very rapidly—as opposed to more complex systems that would take more time and thus fail to meet the urgency of the threat.

An example of this philosophy is the proposal for ICBM point defense: a version of the swarmjet concept, which is a barrage of unguided rockets that are fired at an incoming warhead, much like a round of old-fashioned grapeshot. The concept is simple, yet no hardware exists. But *High Frontier* reviews other options, such as the "low altitude defense system" (LOADS) currently in development. The message is that ICBM point defense *is* technically feasible but that cost and schedule will be determined by the kind of system selected.

The spaceborne BMD proposal, however, is the most dramatic component of the *High Frontier* program. According to the plan envisioned by Graham, some 450 satellites would be placed in a variety of orbits by MX booster vehicles. Each satellite would carry 40 interceptor missiles, any of which could be fired upon an ascending ICBM. With these satellites deployed in a globe-girdling constellation, no nation could launch an offensive missile attack without automatic interception and high attrition. This would introduce a significant element of uncertainty in Soviet attack planning, making the success of such an attack less assured. Technical and schedule risk appear credible, given crash program status and the fact that the interceptor missile is already under development as the Air Force's antisatellite weapon program.

The first-generation spaceborne BMD system would be designed for a service life of 10 years, which conforms to known design practice. A follow-on

system would then be needed, having greater performance and increased resistance to any countermeasures the Soviets may have developed in the interim (such as direct-ascent attack by nuclear weapons). This second-generation system could simply be a product upgrade of the first version... or it could incorporate advanced technology, represented by the prospect of high-energy laser weapons and directed particle beams. Although development of such advanced weapons depends on the resolution of many pending engineering problems, progress in the US programs is currently limited by research funding rather than by technical obstacles.

The manned spaceplane is the least justified and most technically speculative of all the proposals. It is not clear why its suggested missions could not be more easily, safely, and inexpensively accomplished by unmanned vehicles under ground control, and there is no appreciation of the difficulty in designing a man-rated spacecraft having the stipulated mission capability. A more credible rationale for a vehicle similar to this arises from the need to develop a "back-up" to existing space launch facilities at Cape Canaveral and Vandenberg Air Force Base, whose "softness" to nuclear attack could deny the United States any space access during a major conflict. A vehicle that could be launched into orbit from the back of a 747 (as *High Frontier* also mentions) would be able to operate from airfields and thus resist attack through being mobile.

On the other hand, the civil defense augmentation program is no more than straightforward implementation of existing plans, with no technical, cost, or schedule risk apparent. *High Frontier* points out that shelters have been designed for mass production and rapid installation that are proof against a 50 psi overpressure—corresponding to conditions at less than one mile from Ground Zero of a one-megaton detonation. The cost of providing these shelters to selected areas would be $200 per person protected. Sheltering and stockpiling can easily and rapidly be accomplished at a trifling cost, when measured against the worth of other government expenditures. The benefit would be measured in millions of lives saved in the event of an attack.

Although essentially a proposal for military strategy, *High Frontier* also sets forth a parallel program for the industrial exploitation of space: inexpensive launch vehicles, a manned space station, solar power satellites, and seed money for space ventures. It is argued that space technology developed for military purposes can synergically be applied to civilian purposes, with the ultimate prospect of generating a multibillion-dollar space industry in the next 25 years.

The space-industrialization aspect of *High Frontier* is intriguing but unquestionably speculative; it should not divert attention from the soundness of the military proposals. Although "assured survival" is an immodest objective, it is surely the only rational basis for framing national strategy—and *High Frontier* offers the only credible avenue for reaching it. But it is not a panacea, as the authors admit; we may still need existing strategic forces to withstand a major conflict. What *High Frontier* does not fully impress on the reader is that the Soviets *are* developing a space warfare capability whether we do so or not. In this light, *High Frontier* is not an alternative—it is a necessity.

Michael Dunn is a military space-systems analyst for Boeing Aerospace.

Advice to the Socially Nervous

Miss Manners' Guide to Excruciatingly Correct Behavior
By Judith Martin
New York: Athenaeum. 1982.
768 pp. $19.95.

Reviewed by John O'Sullivan

There is a common superstition that books of etiquette are products of a frozen social structure and rigid customs. A moment's thought should dispel this notion. If you happened to be a peasant with no prospect of becoming a duke, why would you bother to inform yourself on how a duke should properly behave?

No, guides to correct social behavior flourish under two conditions. The first is great social mobility, as in England during the Industrial Revolution, when people feel a need to master the customs of the social class to which they aspire. The second is the breakdown of established social conventions. For the vacuum thus created is likely to be filled, not by complete laissez-faire in manners, but by a patchwork quilt of social groups, each of which maintains its own standards, whether traditional or strictly bohemian.

The present age in America clearly exhibits both features. We should therefore expect people to be confused both by traditional problems, such as the correct way to answer formal invitations, and by the dilemmas thrown up by modern life, such as how to introduce a couple who are unmarried but, well, together.

Self-confident people will take these things in their stride. Noel Coward once arrived at a literary dinner party in evening dress, surveyed the acres of tweed, and said reassuringly: "Now I don't want anyone to feel the tiniest bit embarrassed at being underdressed." But most people are more timid. They like to know what is expected of them. Hence the great success of Miss Manners's syndicated column on etiquette, or advice to the socially nervous, here collected in book form.

And an excellent book it is. To begin with, Miss Manners is a fount of sensible practical advice. She tells the readers how to get married, cope with uninvited guests, treat a neighbor's rude children, behave when newly divorced, comport oneself at a Bar Mitzvah, eat lobster, and die, all with the least possible fuss and embarrassment. Her suggested letter of condolence, for instance, is a model of tact and sympathy.

But she also wields a sharp wit. Asked by a Ph.D. what use his doctorate is if he follows strict etiquette in not introducing himself generally as "Doctor," Miss Manners replies: "You are in the position of a woman who has invested in silk underwear. She must derive her satisfaction from knowing she has it on, and perhaps the knowledge of an intimate or two." And when a lady wonders if etiquette permits her to extend a dinner invitation to her physician, Miss Manners advises crisply: "Only if you do so with your clothes on."

Is there any philosophical theme running through her advice? Perhaps without knowing it, Miss Manners is something of a libertarian: "Your taste in sex...is not, and never has been, the business of decent society," she declares. But what this points to is the conservative virtue of discretion. When one nervous correspondent worries about how to introduce a couple living together to her other guests, Miss Manners wonders tartly: "What type of entertainment do you give that everyone's sexual affiliation must be declared at the door?" And this rule applies in both directions. When a gay correspondent complains that he is rarely seated next to his friend at dinner parties

and suspects prejudice, she is equally stern: "What is it that you want? To be introduced as lovers with some explanation provided to the company at large about your feelings for each other?"

In short, if we want a society in which people of widely differing tastes and values can coexist harmoniously, we must show a decent respect for the feelings of others. Odd though it may at first sound, etiquette is an individualist technique for achieving this. It represents a set of rules that have grown up spontaneously and are enforced by mutual convenience and public opinion rather than by government coercion. It is also a mechanism, comparable to F. A. Hayek's concept of the market, for diffusing useful information on which we can base reliable predictions. To take a simple example, if we all use knives and forks in roughly the same way, this greatly simplifies the task of setting the table. To borrow a line from the late Colm Brogan, etiquette "may not be one of the cardinal virtues, but it certainly oils the hinges."

John O'Sullivan is the editor of Policy Review.

Going Private

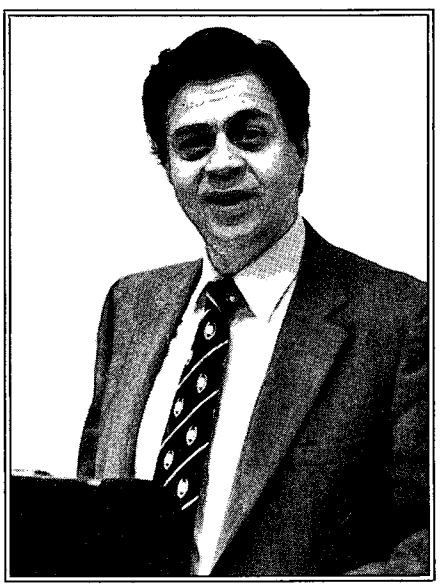
Privatizing the Public Sector
By E. S. Savas
Chatham, N.J.: Chatham House Publishers. 1982. 164 pp. $15.00.

Reviewed by Robert Poole, Jr.

Four years ago when I was writing *Cutting Back City Hall*, the editor winced at my use of the term *privatization*. Today, the term appears in the title of a book endorsed by people such as David Stockman, and nobody bats an eye. And when you learn that the book's author is an assistant secretary of the Department of Housing and Urban Development, you can see how far the idea has come in just a few years.

Steve Savas is a man who learned about privatization from experience. Plucked from IBM to serve as first deputy city administrator of New York City under John Lindsay in the late '60s, Savas encountered first-hand the bureaucratic syndrome of our municipal monopolies. As he studied ways to make city government more cost-effective for the taxpayers, he noticed that nearby suburbs frequently used private, profit-making firms to pick up their garbage—at a fraction of the per-household cost of New York City's sanitation department.

Though he got nowhere in introducing the idea of privatizing New York's garbage pickup, Savas took another crack at the subject several years later. As a professor of public systems management at Columbia University, he headed a nationwide study of government versus private garbage collection, funded by the National Science Foundation. The overwhelming weight of evidence of the superiority of private enterprise and competition persuaded Savas that privatization could hold the key to revitalizing our cities.



E. S. Savas

His experiences in city government, as an official, as a researcher, and as a consultant, expressed in numerous articles, papers, and talks, led to his appointment in 1981 as HUD's assistant secretary for policy development and research—essentially, HUD's idea man. It has also resulted in this splendid new book.

In *Privatizing the Public Sector* Savas brings together the results of hundreds of studies, books, and journal articles all bearing on the issue of how best to provide various public services. While making rather broad policy recommendations, he carefully distinguishes between what has been documented by sound research and what remains merely speculative. As a guide to what has been learned about the limitations of government as a service provider, the book has no equal.

Savas's book also provides a useful conceptual framework for categorizing and thinking about public services. In addition, he provides the most complete overview yet of the whole range of alternatives to conventional government provision of service—user fees, contracting out, franchising, vouchers, volunteers, etc. Savas applies these ideas across the full spectrum of government—local, state, and federal. And he lays out specific strategies and targets for reform.

Savas has a knack for illustrating his points with provocative examples. Did you know, for example, that in a study of nursing homes operated by the Veterans Administration, the average cost per patient day was found to be 83 percent higher than the cost of comparable care for patients placed by the VA in private nursing homes? Or that two-thirds of the people in Sweden get their fire protection services from private firms under contract to government? Or how about this: "While Wall Street is cleaned by a government bureaucracy, the streets in Communist Belgrade are cleaned by a worker-owned enterprise that has a contract with the city government."

The book does have its limits. For all his familiarity with the free-market literature, Savas occasionally seems to be strangely accepting of government as an appropriate service provider or regulator. At one point, for example, he seems to take it for granted that government must enforce monopoly in the provision of cable TV, electricity, and water service. And his discussion of what are usually called "public goods" neglects the growing literature pointing out that "government failure" is just as much of a problem as the alleged "market failure" leading to the decision to make government the service provider.

Some may even object that Savas's call for "privatization" will do little more than make government more efficient, rather than fundamentally reducing its scope. What this sort of objection overlooks is the difficulty of effecting large-scale social change. It would be nice if simply presenting people with the evidence that markets work better than government would induce them to abolish ineffective agencies. Sadly, the world doesn't seem to work that way. People have to *see* private firms actually delivering public services in their neighborhood—even if temporarily on an exclusive-franchise or voucher-supported basis—before most of them will be willing to take the next step toward complete replacement of government bureaucracies with private enterprise. Thus, Savas's privatization proposals are a kit of tools for demystifying

Photograph by Joyce True

government as the monopoly provider of service—an essential step in the process of social change.

Privatizing the Public Sector is not a blueprint for a libertarian utopia. But if we are ever to break the spell of continual government growth, it will be books like this that we have to thank.

Robert Poole is editor in chief of REASON *and author of* Cutting Back City Hall.

Fracturing the Soft-Tech Fix

Brittle Power
By Amory B. Lovins and L. Hunter Lovins
Andover, Mass: Brick House Publishing. 1982. 486 pp. $17.95.

Reviewed by Dale Gieringer

In recent years, it has become popular to debate energy in terms of a collective national decision rather than decentralized market choice. *Brittle Power* epitomizes the literature of energy advocacy in arguing that a particular energy strategy is uniquely best for the nation.

The thesis of *Brittle Power* is simple: "The United States has for decades been undermining its own strength. It has gradually built up an energy system prone to sudden, massive failures with catastrophic consequences. The energy that runs America is brittle—easily shattered by accident or malice."

Anyone familiar with the authors will know their proposed solution. Amory Lovins is perhaps the foremost advocate of the "soft energy path" of conservation and small-scale solar technology, an idea that he popularized in an earlier book, *Soft Energy Paths*. Here he is joined by his wife to extend the argument for soft energy by including national security considerations.

The first half of *Brittle Power* examines the manifold ways in which the US energy system is vulnerable to disruption. The Lovinses are especially alert to opportunities for terrorist sabotage of pipelines, gas tankers, transmission lines, power stations, rail and ship transportation, etc. Overall, the Lovinses make a strong—and disturbing—case that energy disasters are waiting to happen.

What is less clear, however, is whether such disasters pose more than a local security threat. A remarkable feature of the present energy system is that even the largest facilities (outside, perhaps, the Persian Gulf) are replaceable, barring an act of war. The electrical grid in particular is specifically designed to avoid disruptions, so that even the Three Mile Island accident did not cut off power to Harrisburg. A skeptic might therefore question whether "brittle power" is an apt metaphor for what is in many ways a quite flexible network.

The Lovinses attempt to refute this view, arguing that the grid has become increasingly unstable in recent years and devoting a chapter to the 1977 New York City blackout. They also point out that the entire national grid could be shut down by a single hydrogen bomb explosion in the upper atmosphere, which would disable the control electronics with electromagnetic pulse (EMP) radiation. Nuclear war, however, is an extreme scenario.

The Lovinses themselves admit that the country has suffered relatively few serious energy failures but note that we may have been lucky so far to avoid more sophisticated terrorist attacks. They do not go into the many other points at which modern society is vulnerable to terrorism: water supplies, skyscrapers, tunnels, explosive or toxic materials, and so forth. An unanswered question that persists through the book is whether brittleness of this sort can truly be eliminated and, if so, at what cost to whom.

The second half of *Brittle Power* is devoted to showing that a secure, "resilient" energy system could be based on soft technology. The Lovinses update many of the arguments in *Soft Energy Paths* to argue that small-scale solar and conservation technologies are more efficient and economical than large-scale conventional power plants. They make an especially strong case for improved energy end-use efficiency; investment in home weatherization and fuel-efficient automobiles, they argue, would be a quicker and more cost-effective way of reducing energy dependence than investment in synthetic fuels or breeder reactors.

The Lovinses are less convincing in claiming that small-scale renewable sources such as windmills, photovoltaic cells, and biomass conversion would be more reliable and efficient than conventional large-scale facilities. They invoke various theoretical reasons why this might be so, some of them plausible and some of them dubious—for example, that soft energy is more "understandable," "flexible," and "socially compatible." In a technical appendix, they display cost projections favorable to solar energy, but hypothetical numbers of this kind are no more to be trusted than similar projections for nuclear power 10 years ago. The fact is that many renewable technologies are still on the margin of commercial viability, and their long-range economics are by no means certain.

Still, it would be a mistake to dismiss the authors' analysis out of hand. Though Amory Lovins has been attacked as a nonspecialist in the energy field, he has shown a prodigiously broad grasp of the technical issues. In 1975, when most experts were forecasting exponentially increasing energy demand, he stood nearly alone claiming decreased consumption was possible. Thanks largely to the conservation incentives of higher prices, Lovins turned out to be right.

Though the use of renewable energy has increased over the past decade, it is doubtful whether soft technology will ever completely replace existing centralized power systems. So long as there remain urban areas like Manhattan, where energy usage is seven times more concentrated than incoming solar radiation, bastions of "brittleness" seem likely to persist. Where *Brittle Power* is weakest is in arguing that soft energy is universally more desirable.

As technological advocates, the Lovinses recommend that soft energy be promoted through local community action. They are willing to support solar tax credits and energy conservation building codes but otherwise profess sympathy with free-market principles. While they unfortunately neglect to discuss the role of private small-scale energy entrepreneurship, they undoubt-

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edly support it strongly. Moreover, they are highly skeptical about the federal government: "In a country as large as the U.S., any issue aggregated to a national level tends thereby to become all but unmanageable." Thus the Lovinses show a healthy awareness of the dangers of writing books like *Brittle Power.*

Dale Gieringer is a public- and social-policy consultant with the Decisions and Ethics Center of Stanford University's Department of Engineering-Economic Systems.

A Voucher for Reform

The Public School Monopoly
Edited by Robert B. Everhart
San Francisco: Pacific Institute for Public Policy Research. 1982. 583 pp.
$30.00/$13.95.

Reviewed by C. Ronald Kimberling

The timing couldn't be better for the issuance of *The Public School Monopoly*, a broad, deliberate study of state control over primary and secondary education. The Reagan administration has been making a strong push for a federal tuition tax credit, and the debate that first began getting serious in 1978 with the near passage of the Packwood-Moynihan tax credit bill has once again been raging in Washington. In the last Congress, a Reagan-backed bill was stalled in the Senate Finance Committee by objections to its civil rights protections, but the momentum built up by pro-tax credit interests could well lead to adoption this year.

The Public School Monopoly provides extra intellectual ammunition for the tax credit attack. This thick volume is edited by Robert B. Everhart, a noted educational researcher currently on the faculty of the University of California at Santa Barbara. It is the third book on domestic policy issues to emerge from the fledgling Pacific Institute for Public Policy Research in San Francisco.

Everhart has assembled 14 essays from a variety of viewpoints—libertarian, conservative, neoconservative, and even neo-Marxist—to document the relationship between education and the state. The essays are functionally grouped to offer a historical perspective, an assessment of state intrusiveness from moral and Constitutional standpoints, and an examination of how federal regulatory control has given rise to a patchwork quilt on the local level of curricula and administrative organization. The arguments all lead up to a section that presents a strong case for tax credit and educational voucher reforms that would restore to parents a measure of control over school financing.

The heart of the book lies in this final section. Noted libertarian scholar E. G. West takes a page from William Niskanen's *Bureaucracy and Representative Government* in weighing how the politics of bureaucracy has led to greater monopoly in educational agenda formation. We have reached the point, West argues, where the federal Department of Education, large consolidated school districts, and other institutional testaments to public bureaucratic hegemony have achieved such power that the average parent, rightfully feeling helpless, becomes apathetic. Because tuition tax credits and vouchers would assist in forming a competing set of private education interests outside the bureaucratic establishment, they are strongly opposed by those who have control over the public budget. Only in the wake of enormous voter pressure to reduce taxation and government spending can tax credits and vouchers have a chance of passage. This recently came to pass in British Columbia, where a "Proposition 13" mood among taxpayers propelled the legislature into approving a $500-per-pupil voucher.

While West's essay is a fascinating economic analysis of bureaucratic politics, those who have been numbed into doubt by reading too many *Washington Post* and *New York Times* articles would do well to start with Thomas W. Vitullo-Martin's essay, "The Impact of Taxation Policy on Public and Private Schools." Vitullo-Martin uses IRS tax codes to show how indirect federal subsidies work to the benefit of white, upper-middle-class, suburban school districts. Because homeowners can deduct local property taxes from their federal income tax, those living in suburban areas are partly shielded from the effects of high local taxes. In contrast, urban residents tend to be in the lower-income brackets, where the marginal relief from such a deduction is less. Real figures from Pocantico Hills, New York (a suburban Westchester County community) and New York City prove the point. Through the tax deduction for local property taxes, the federal government "shoulders" nearly $4,200 more per year for well-to-do suburban white pupils in Pocantico Hills than it does for urban,

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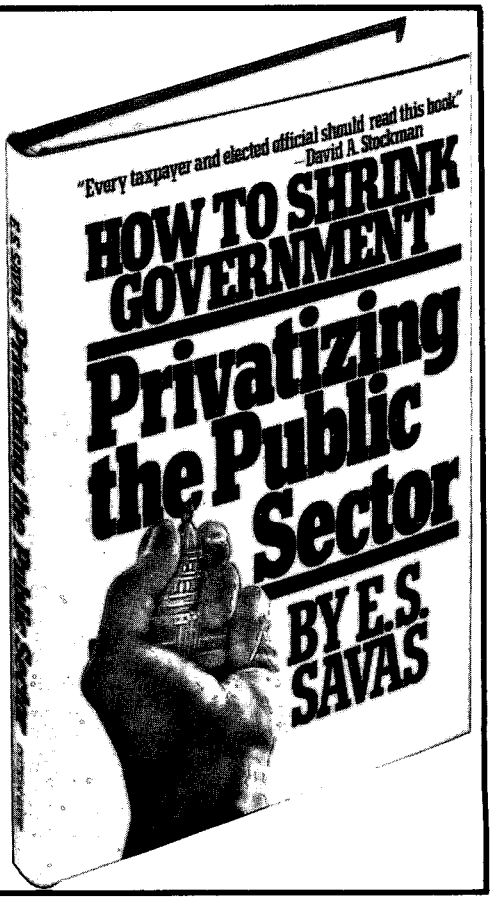
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HOW TO SHRINK GOVERNMENT
Privatizing the Public Sector
BY E.S. SAVAS

ethnically mixed residents of the Big Apple.

Facts like these challenge the comfortable assumptions of public education leaders, many of whom have become steeped in knee-jerk rhetoric against a tuition tax credit and who unnecessarily fear the harm such reforms could cause for their institutions. Harold Howe, for example, the US Commissioner of Education during the Johnson years, who recently wrote in the *New York Times* that tuition tax credits are like subsidizing country club memberships, might well change his tune if he actually saw the eye-popping figures on minority enrollment in private schools.

Overall, a few of the essays are a bit weak, relying more on armchair philosophy and "rational expectations" analysis than on a sifting and weighing of available factual evidence. But on balance, *The Public School Monopoly* is a welcome addition to the growing body of educational reform literature.

Ronald Kimberling is executive secretary in the Department of Education. This review was written in his private capacity. No official support or endorsement by the Department of Education is intended or should be inferred.

Acute Analysis, Flawed Prescriptions

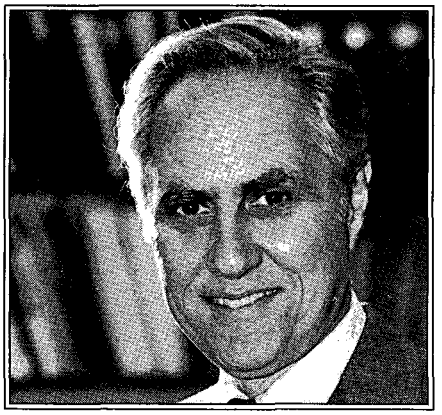
Blaming Technology
By Samuel Florman
New York: St. Martin's Press. 1981. 207 pp. $12.95/$6.95.

Reviewed by Lynn Scarlett

Antitechnology sentiment surfaced with a vengeance in the 1970s as modern Luddites began criticizing what was perceived as an uncontrollable march of dehumanizing technology. In *Blaming Technology* (just released in paperback), engineer and writer Samuel Florman scores these antitechnologists, proclaiming that technology is neither messiah nor archfiend. Despite warnings to the contrary by antitechnologists, the human spirit remains at center stage with technology firmly under people's control.

When discussing technology per se, Florman's analysis is excellent. He first sets out to disprove the antitechnologist's claim that technocratic elites hold the reins of power. Armed with statistics, he shows that technocrats (if that means engineers) hold preeminent places in neither government nor business.

His assumption that *real* power rests at the top of organizational hierarchies no doubt might be challenged. Real power, the argument sometimes goes, lies with those who possess the information and knowledge with which to make decisions or advise others. Florman himself partially acknowledges this in his discussion of feminism, noting that "for better or for worse, technology lies at the heart of our contemporary culture, and the technologist is akin to a priest who knows the secrets of the temple....Until women share in the understanding and creation of our technology...they will suffer from a cultural orientation that ordinary power cannot cure....The ultimate feminist dream will never be realized as long as women would rather supervise the world (as lawyers, managers, etc.) than help build it."



Samuel Florman

What Forman recognizes in relationship to feminism, however, he seems entirely to overlook in his quest to disprove the existence of a technocratic elite. Still, he does manage to dispel some myths about the pervasiveness of control by so-called technocrats.

Unfortunately, Florman's analysis goes completely astray when he turns to public policy discussion and political theorizing. First, he attempts to vindicate the Army Corps of Engineers, which he claims to be especially subject to abuse by antitechnologists. He contends that if "the sine qua non for irresponsive bureaucracy is an established, independent, and relatively invulnerable fiefdom," the Army Corps of Engineers is nothing of the sort. The corps, he says, plays a key role in pork-barrel politics, making it especially subject to the whims of Congress. From this, Florman concludes that the corps is "an instrument exquisitely tuned to work the will of the people."

To argue that pork-barrel politics and congressional oversight diminish the corps's independence is at least plausible (though even here, many who have written of the iron triangle of agencies, subcommittees, and lobbyists provide reason to believe the contrary). But to equate the results of pork-barrel politics with the "will of the people" is simply absurd.

Florman goes from bad to worse when he leaves aside the Army Corps of Engineers to discuss government regulation. Commenting on an Exxon ad showing the Statue of Liberty entangled in red tape, he retorts, "the Statue of Liberty is not tied up in red tape...she is held together by red tape." Because he considers government regulation so essential, Florman fears that regulatory excesses of the 1970s may unleash a backlash in which not only the "unnecessary" regulations but the "good" regulations are undone as well.

It is astonishing that Florman can at one point recount the highly successful voluntary efforts to set standards for American manufacturing yet ignore potentials for nonregulatory institutions to handle safety, health, and other problems that he blithely assumes require regulation. Also astounding is his faith that regulatory decisionmakers faced with political constraints can be relied upon to "rationalize" regulations.

Florman's attack on the popular "small is beautiful" credo best reveals his sharp understanding of what technology is—but also his woeful ignorance of politics in theory and practice. He demolishes, rightly, the contention that all technology should be "small." Rather, "when engineers are confronted with a problem of design, in which the objective is to satisfy certain human needs or desires...engineers are certainly trying to evaluate the appropriate scale for their designs." But scale alone should not dictate the solution.

When Florman moves on to confront the political implications of the "small is beautiful" theme, he seems to succumb to his own criticism of that theme by advocating bigness as an inherently positive characteristic. "Diversity and freedom in the U.S.," Florman asserts, "are protected and encouraged by strong central institutions—the personal freedoms that we hold so dear are achieved through big government, big business, big labor unions, big political parties, and big voluntary organizations—our protection comes not from petty insurrections,

but from that biggest of all organizations, the federal government. And when big government itself is at fault, the remedy can only be shake-ups and more sensible procedures, not elimination of the bureaucracy that is a crucial element of our democracy."

If Florman had been content to refute the myth of the technological imperative, *Blaming Technology* would have been a terse, forceful, sometimes even brilliant book. Instead, he ventured into political theory and public policy prescription. And, from the superficiality, inconsistency, and ignorance revealed, that was a mistake.

Lynn Scarlett is a doctoral candidate in political science at the University of California, Santa Barbara, and REASON*'s book review editor.*

VIEWPOINT

(Continued from p. 45)

level, stimulating excessive and unsound investment in capital goods, industrial raw materials, construction, machine tools.

But these unsound investments must be liquidated, must be leached out of the system, and labor, land, and capital brought back to the most efficient service of consumers. The longer and more intense an inflationary boom, the more extensive must be such liquidation. For Austrians, this liquidation *is* the business cycle recession. Recession is paying the piper; it is the necessary adjustment of the economy to wash out the destructive malinvestments of the boom.

This summer the *Wall Street Journal*, in an editorial, mentioned the Austrian theory in passing as holding that recessions are necessary for economic progress. Not true. They are only *made* necessary by inflationary booms generated by governments' central banks.

In contrast to the monetarists, then, this means that recessions are not something to be avoided, delayed, mitigated by gradualism. On the contrary, they should be left alone to work out their adjustment process as quickly as possible. There are only two alternatives: either a short, sharp recession that liquidates quickly and generates a rapid recovery (such as the intense but very brief depression of 1920-21, the last recession in which the government refused to intervene); *or* a chronic stagnation, neither fish nor fowl, with recession lingering interminably. That is what we suffered in the 1930s, and this is what the gradualist Thatcher and Reagan regimes have wrought.

And so the Austrian counsel is: the Fed must stop inflating; it must slam the brakes on its own destructive inflationary policies. And then the government must keep hands off the inevitable recession. The only way that real interest rates will come down is when the public and the market stop anticipating imminent reinflation, and they will only do so when the Fed is drastically shackled by radical reform. Preferably this reform would return us to a gold standard, to a commodity money provided by the market and not by the Federal Reserve printing press.

A *freezing* (or better yet, abolition) of the Fed, coupled with a return to a gold standard, would so invigorate the market and so end the specter of chronic inflation that real interest rates would fall and saving and investment would be stimulated. The resulting prosperity might so overshadow the final, liquidating recession that it might be as unnoticeable as anything any gradualist could hope for.

Murray Rothbard is a professor of economics at Brooklyn Polytechnic Institute of New York and the author of numerous articles and books on economics, history, and the libertarian movement.

HEALTH & WELFARE

(Continued from p. 47)

cells). This could be one reason why chronic stress is a health hazard.

Endorphins released during traumatic accidents decrease blood pressure (presumably as a defense against bleeding to death), which seriously exacerbates the damage done in injuries to the brain and spinal cord. Under these conditions, blood flow to these organs is reduced, resulting in a tremendous increase in the creation of free radicals (which are partially controlled by oxygen itself). It was recently reported that injecting massive doses of naloxone into the damaged area of the spinal cord of cats very soon after severe injuries (within an hour or two) could help prevent such serious consequences as paraplegia.

Evidence is growing that endorphins and other opiate-like compounds play an important role in our health and behavior—even social behavior. Eventually, we'll know enough about how they work to control their effects. And we'll understand why some people become addicts, while most of us don't.

A list of scientific literature on this topic is available through REASON*. Send a stamped, self-addressed envelope and ask for H&W references, March.*
Sandy Shaw and Durk Pearson are consulting scientists and authors of Life Extension *(Warner Books).*

LETTERS

(Continued from p. 11)

proportions the factors of production will be combined to produce it, and how the value of the final product will be distributed between them. . . . Thus, apart from the necessity of central controls to bring about an adjustment between the propensity to consume and the inducement to invest, there is no more reason to socialize economic life than there was before."

This is consistent with the quotes in my review and in Professor Garrison's letter. The "comprehensive socialism of investment" that Keynes called for was the use of fiscal policy to affect the overall level of investment, not government ownership and direction of capital.

Even if Professor Garrison had found drastic differences in Keynes's views *over time*, that would only illustrate the point of my review. Although consistency at an instant is a virtue, inquiring minds—like those of Keynes and Hayek—continue to grow, reaching different conclusions at different times.

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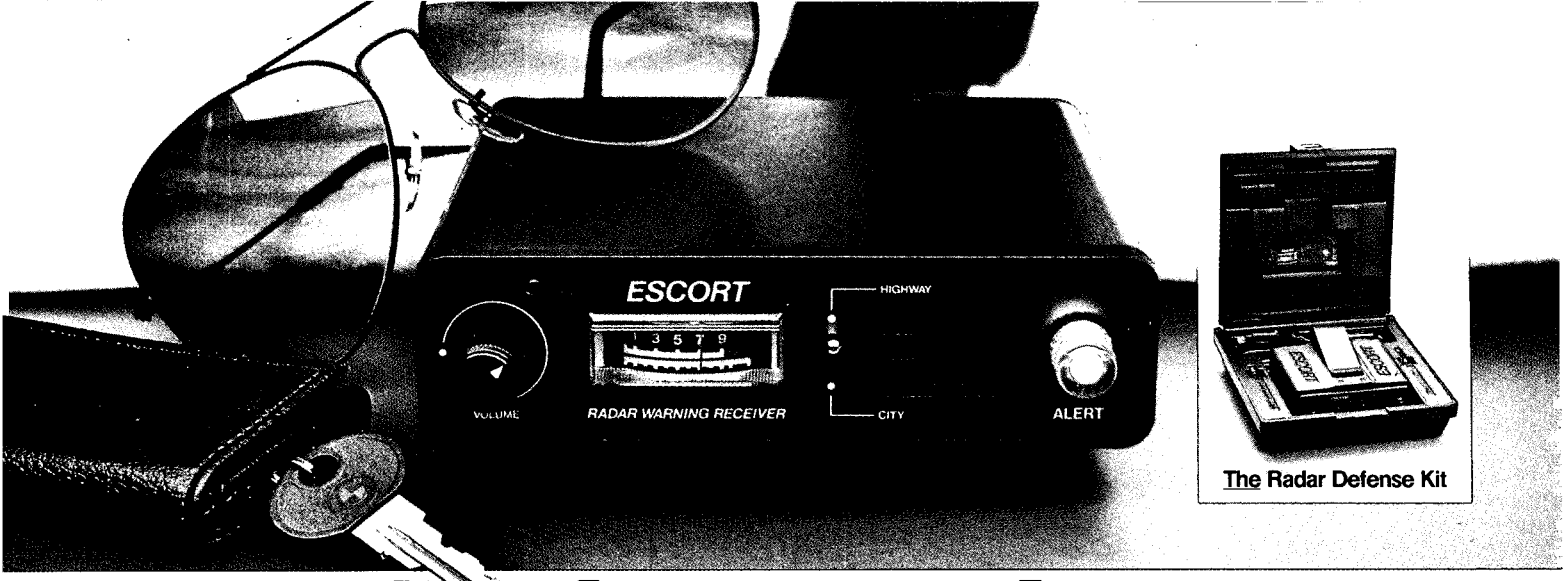

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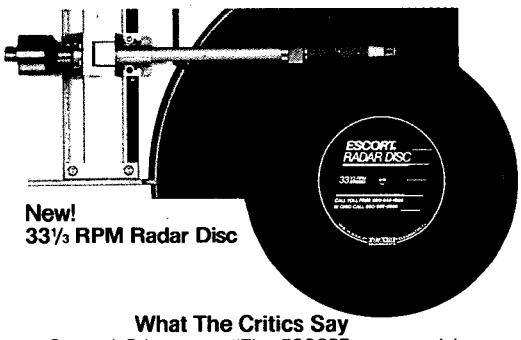

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